

26th March 1936

THE  
LEGISLATIVE ASSEMBLY DEBATES

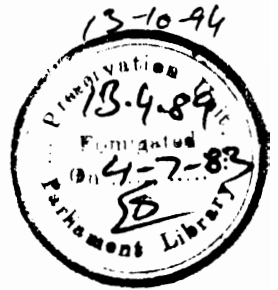
(Official Report)

Volume V, 1936

THIRD SESSION

OF THE

FIFTH LEGISLATIVE ASSEMBLY,  
1936



NEW DELHI  
GOVERNMENT OF INDIA PRESS

Received.....18.X.73.

# Legislative Assembly.

*President :*

**THE HONOURABLE SIR ABDUR RAHIM, K.C.S.I., KT.**

*Deputy President :*

**MR. AKHIL CHANDRA DATTA, M.L.A.**

*Panel of Chairmen :*

**PANDIT GOVIND BALLABH PANT, M.L.A.**

**SIR COWASJI JEHANGIR, BART., K.C.I.E., O.B.E., M.L.A.**

**SIR LESLIE HUDSON, KT., M.L.A.**

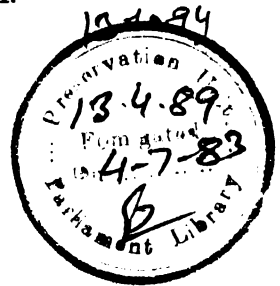
**SIR MUHAMMAD YAMIN KHAN, KT., C.I.E., M.L.A.**

*Secretary :*

**MIAN MUHAMMAD RAFI, BAR.-AT-LAW.**

*Assistant of the Secretary :*

**RAI BAHADUR D. DUTT.**



*Marshal :*

**CAPTAIN HAJI SARDAR NUR AHMAD KHAN, M.C., I.O.M., I.A.**

*Committee on Petitions :*

**MR. AKHIL CHANDRA DATTA, M.L.A., Chairman**

**SIR LESLIE HUDSON, KT., M.L.A.**

**MR. B. DAS, M.L.A.**

**DR. ZIAUDDIN AHMAD, C.I.E. M.L.A**

**MR. M. S. ANEY, M.L.A.**

# CONTENTS.

VOLUME IV.—18th March to 3th April, 1936.

	PAGE.		PAGE.
<b>WEDNESDAY, 18TH MARCH, 1936—</b>		<b>MONDAY, 23RD MARCH, 1936—</b>	
Report of the Indian Delimitation Committee—Presentation of the Report of the Select Committee	2751	Member Sworn	3007
The Indian Finance Bill—Discussion on the motion to consider not concluded	2752—2812	Questions and Answers	3007—44
Appendix	2813—34	Unstarred Questions and Answers	3044—55
		Short Notice Question and Answer	3055—57
		Motions for Adjournment	
		<i>re—</i>	
		Legislation for republication in the Press of speeches delivered in the Legislative Assembly—Disallowed by the President.	3057—59
<b>THURSDAY, 19TH MARCH, 1936—</b>		Ban on Mr. Subhash Chandra Bose—Adopted.	3059—60, 3089—3114
Motion for Adjournment <i>re</i> . Contract for the construction of the Howrah Bridge—Not moved	2835	The Indian Companies (Amendment) Bill—Introduced.	3060
The Indian Finance Bill—Motion to consider adopted	2835—79	The Indian Tariff (Amendment) Bill—Introduced.	3060
Election of a Member to the Standing Committee on Pilgrimage to the Hedjaz	2879	The Indian Railways (Amendment) Bill—Introduced.	3060—61
		The Indian Finance Bill—Discussion on the consideration of clauses not concluded	3061—89
<b>FRIDAY, 20TH MARCH, 1936—</b>			
Questions and Answers	2881—2921	<b>TUESDAY, 24TH MARCH, 1936—</b>	
Unstarred Questions and Answers	2921—56	Member Sworn	3115
Statements laid on the Table	2956—63	Questions and Answers	3115—30
Election of Members to the Public Accounts Committee	2963	Statement of Business	3130
The Code of Civil Procedure (Second Amendment) Bill (Amendment of Section 60)—Presentation of the Report of the Select Committee	2964	Motion for Adjournment <i>re</i> Sir Otto Niemeyer's Report on Federal and Provincial Finance—Not moved	3130—35
The Indian Finance Bill—Discussion on the consideration of clauses not concluded	2964—3003	The Indian Finance Bill—Discussion on the consideration of clauses concluded	3135—55
Statement of Business	3003—05	Demands for Supplementary Grants	3166—69

	PAGE.		PAGE.
<b>WEDNESDAY, 25TH MARCH, 1936—</b>		<b>MONDAY, 30TH MARCH, 1936</b> — <i>contd.</i>	
Statements laid on the Table . . . . .	01 3191—32	Motion <i>re</i> Appointment of a Committee to examine the working of the Ottawa Trade Agreement—Adopted as amended . . . . .	3438—3503
The Code of Civil Procedure (Amendment) Bill (Amendment of Section 51, etc.)—Presentation of the Report of Select Committee . . . . .	3201	Statement of Business . . . . .	2503—04
The Indian Finance Bill—Recommended amendment to clause 2—negatived . . . . .	3201—03, 3265—87	<b>MONDAY, 6TH APRIL, 1936—</b>	
Demands for Supplementary Grants— <i>contd.</i> . . . .	3203—65	Members Sworn . . . . .	3505
<b>THURSDAY, 26TH MARCH, 1936—</b>		Death of Khan Bahadur Makhdum Syed Rajan Baksh Shah . . . . .	3505—08
Members Sworn . . . . .	3289	<b>TUESDAY, 7TH APRIL, 1936—</b>	
Short Notice Question and Answer . . . . .	3289—90	Questions and Answers . . . . .	3509—42
Motion <i>re</i> Appointment of a Committee to examine the working of the Ottawa Trade Agreement—Discussion not concluded . . . . .	3290—3347	Unstarred Questions and Answers . . . . .	3542—3617
Statement of Business . . . . .	3347	Statements laid on the Table . . . . .	3617—24
<b>FRIDAY, 27TH MARCH, 1936—</b>		The Cantonments (Amendment) Bill—Presentation of the Report of the Select Committee . . . . .	3625
Members Sworn . . . . .	3349	Resolution <i>re</i> Release of political prisoners detained without trial—Negatived . . . . .	3625—61
Short Notice Question and Answer . . . . .	3349	Resolution <i>re</i> Import duty on unbroken rice and paddy—Discussion not concluded . . . . .	3661—73
Motion <i>re</i> Appointment of a Committee to examine the working of the Ottawa Trade Agreement—Discussion not concluded . . . . .	3350—3406	<b>WEDNESDAY, 8TH APRIL, 1936—</b>	
<b>SATURDAY, 28TH MARCH, 1936—</b>		Speech delivered to the Council of State and the Legislative Assembly by His Excellency the Viceroy . . . . .	3675—83
Motion <i>re</i> Report of the Committee to consider the Indian Delimitation (Hammond) Committee's Report—Adopted . . . . .	3407—36	Questions and Answers . . . . .	3683—3714
<b>MONDAY, 30TH MARCH, 1936—</b>		Motion <i>re</i> Election of the Standing Finance Committee—Adopted . . . . .	3715
Members Sworn . . . . .	3437	Motion <i>re</i> Election of the Standing Finance Committee for Railways—Adopted . . . . .	3715
Statements laid on the Table . . . . .	3437—38	Motion <i>re</i> Election of the Standing Advisory Committee for the Indian Posts and Telegraphs Department—Adopted . . . . .	3715



	PAGE.		PAGE.
WEDNESDAY, 8TH APRIL, 1936—concl'd.		WEDNESDAY, 8TH APRIL, 1936—concl'd.	
Motion re Election of the Standing Committee for the Department of Commerce—Negatived	3716—18	The Salt Additional Im- port Duty (Extending) Bill—Introduced . . .	3719—20
Motion re Election of the Central Advisory Coun- cil for Railways— Adopted . . .	3718—19	The Indian Tea Cess Amendment) Bill— Introduced . . .	3720
The Indian Tariff (Second (Amendment) Bill— Introduced. . .	3719	The Indian Aircraft (Amendment) Bill— Introduced . . .	3720
		The Indian Mines (Amendment) Bill— Introduced and referred to Select Committee . . .	3720—35

# LEGISLATIVE ASSEMBLY.

Thursday, 26th March, 1936.

---

The Assembly met in the Assembly Chamber of the Council House at Eleven of the Clock, Mr. President (The Honourable Sir Abdur Rahim) in the Chair.

---

## MEMBERS SWORN.

Sir Bryce Chudleigh Burt, Kt., C.I.E., M.B.E., M.L.A. (Government of India: Nominated Official); and

Dr. John Matthai, C.I.E., M.L.A. (Government of India: Nominated Official).

---

## SHORT NOTICE QUESTION AND ANSWER.

### GRAND TRUNK EXPRESS TRAIN FROM DELHI TO MADRAS.

**Mr. M. Ananthasayanam Ayyangar:** (a) Is there any proposal at present to discontinue the running of the Grand Trunk Express train from Delhi to Madras in the near future? If so, on what grounds?

(b) Are Government aware that this is the only convenient service or train between Delhi and Madras and also between Delhi and Nagpur and Nagpur and Madras?

(c) Will Government state what amount, if any, they estimate to save by discontinuing this service?

(d) Will Government state how long this service has been in existence and whether in fact in the beginning the service extended from Peshawar to Mangalore?

(e) Will Government state if there are any other single services on any of the other railways—besides the strategic railways—which run at a loss, say, the “Deccan Queen” or any of the mail trains on the other railways, and if so, whether there is any proposal to abolish any of those services?

(f) Are Government aware that in fact there have been repeated demands in the past for speeding up the train service to that of other mail trains in Northern India?

(g) Do Government propose to consider the desirability of lowering the third and intermediate class fares by this train, so as to make it more popular and more paying?

(h) Will Government state what their object was in providing through railway communication if they are not going to run even one fast train on it, connecting the various important places on the line?

**The Honourable Sir Muhammad Zafrullah Khan:** (a) There is no such proposal.

(b) to (h). Do not arise.

**Mr. M. Ananthasayanam Ayyangar:** As regards part (f), are Government aware of the fact that there have been repeated demands in the past for speeding up this train to the level of other mail trains, in Northern India, and is the Honourable Member aware that, while it takes only 24 hours for a distance of 900 miles between Calcutta and Delhi, it takes a full two days for 1,300 miles between Madras and Delhi?

**The Honourable Sir Muhammad Zafrullah Khan:** If the Honourable Member means that the Grand Trunk Express does not run as fast as some of the mail trains between Delhi and other places, that is correct; but the difficulty is, it has to run over so many sections and it has to make so many connections and also to leave so much margin for other fast trains between Delhi and Agra and Itarsi and other places, that it has not been found practicable to run it any faster.

**Mr. Sami Vencatachelam Chetty:** Is there any proposal to increase the time taken by the Grand Trunk Express from Madras to Delhi?

**The Honourable Sir Muhammad Zafrullah Khan:** If the question is whether under the new time table, the time taken by this train will be more than that taken at present, I shall require notice of that question.

**Prof. N. G. Ranga:** Will Government consider the advisability of lowering the rates for third and intermediate class passengers travelling by this train?

**The Honourable Sir Muhammad Zafrullah Khan:** I am afraid Government cannot consider a proposal to reduce fares by a particular train: the question is, what the fares are on different sections on this route.

---

#### MOTION *RE* APPOINTMENT OF A COMMITTEE TO EXAMINE THE WORKING OF THE OTTAWA TRADE AGREEMENT.

**Mr. President** (The Honourable Sir Abdur Rahim): It has been arranged among the Leaders of Parties in the Assembly that there should be a time-limit for speeches on this debate and it is generally agreed that the Honourable the Mover of this motion may require about an hour and that the other Members who want to speak in this debate will have twenty minutes each, subject to the usual discretion in the Chair.

**The Honourable Sir Muhammad Zafrullah Khan** (Member for Commerce and Railways): Sir, I beg to move:

“That, in accordance with the recommendation of the Committee referred to in the Resolution adopted by this Assembly on the 6th December, 1932, a Committee of this Assembly consisting of the Honourable Sir Frank Noyce, Sir Girja Shankar Bajpai, Mr. F. E. James, Sir H. P. Mody, Mr. K. L. Gauba, Sir Abdul Halim Ghuznavi, and the Mover be constituted to examine the working of the Trade Agreement concluded at Ottawa on the 20th August, 1932, between His Majesty's Government in the United Kingdom and the Government of India, and to report to the House thereon”.

Sir, before I go on to deal with the subject of this motion, I may explain with regard to the constitution of the Committee that up to this stage it has not been found possible to persuade the Congress Party to give names to serve on the Committee in case the House decides to set up a Committee; and also with regard to one other group it has not been possible so far to ascertain whether any names would be forthcoming, and that, therefore, it is possible that at a later stage I might have to move, if I am in that position, for the addition of a name or names to the Committee.

Now, Sir, the motion that I have just moved arises out of an obligation undertaken by Government to bring up the working of the Ottawa Trade Agreement between His Majesty's Government in the United Kingdom and the Government of India for the consideration of this House after the expiry of three years from the date on which that Agreement came into operation.

Before I go on to offer any observations upon the general working of the Agreement itself, I think it would be of some service to the House if I gave a brief history of the circumstances under which the Ottawa Agreement came into being. There can be no doubt that those Honourable Members who have studied the matter intensively must be fully familiar with all the circumstances and the steps leading up to the signing of the Ottawa Agreement. Nevertheless, I think there may be some Honourable Members of this House to whom it would be of advantage to have the setting of that Trade Agreement before them. Now, the question of trade preferences within the Empire is not a question that was started for the first time in 1932. As a matter of fact, as early as 1903 the question had been mooted and since 1919 His Majesty's Government in the United Kingdom have been willing actively to consider the question, and, as a matter of fact, since 1919 India along with the Dominions had enjoyed a certain amount of preference with regard to certain commodities, for instance, coffee, fruit, silk, and tea up to 1929. The attitude of the Government of India towards such schemes prior to 1930 had been that before they considered any of these questions in a concrete form they wanted to be quite sure as to the kind of positive benefit that might result to India from the adoption of any such scheme, and, inasmuch as before 1931, or to be more accurate, before 1932, India automatically and unconditionally enjoyed any preferences that were granted to the Dominions by the United Kingdom, the Government of India did not feel called upon to consider the question from close quarters, and their view was that, unless concrete proposals were put before them for their examination, it was not for them to initiate discussions on these matters. The question was, however, taken up in a concrete form in the Imperial Conference of 1930, and in that Conference the attitude of the Government of India was described by Sir Geoffrey Corbett in the following words:

"India is ready to consider favourably all schemes designed to encourage the development of trade with all other countries of the British Commonwealth, but she is not prepared to depart from her present policy of discriminating protection which indeed, as I have explained, seems to us to fulfil the conditions of rationalised protection about which we hear so much. We are unable, therefore, to commit ourselves to any general scheme of tariff preference before the Empire, but we must reserve complete freedom to deal with each case as it arises".

[Sir Muhammad Zafrullah Khan.]

Well, now, the 1930 Imperial Conference found it impossible within the time at their disposal to consider the details of any such scheme. It was, therefore, decided that the economic section of that Conference should assemble within the space of twelve months at Ottawa to consider the details of such a scheme. It was not found possible to convene that Conference within 12 months of the Imperial Conference, as the House is aware that, during the course of 1931, several economic and monetary problems arose for consideration in the United Kingdom as well as in the Dominions and in India which made it difficult for the representatives of the different parts of the Empire to meet together for the purposes of such a conference. The conference was, therefore, postponed till 1932. Between the Imperial Conference of 1930 and the assembling of the Conference at Ottawa something had happened in the United Kingdom which gave an entirely new orientation to this question. As I have said, the attitude of the Government of India previous to 1931 had been that, unless there was some positive benefit to be derived from their becoming parties to such a scheme, it was not necessary for them to consider any such scheme. In 1931 the National Government came in in England, and the whole economic policy of England underwent a radical change. The free trade policy had, under the stress of circumstances, to be abandoned, and a definite scheme of tariffs was brought in, and, by April, 1932, an Act had been passed in the United Kingdom called the Import Duties Act which gave effect to that general scheme of tariffs. Now, the position before that Act had been passed was that a certain number of commodities were subject to tariffs either for revenue purposes or for the purpose of safeguarding particular industries, and all other commodities entered the United Kingdom free. Generally speaking, the effect of the Import Duties Act was to subject almost every commodity,—as a matter of fact, all commodities except those set out in Schedule I to the Act to a tariff, but, so far as the Dominions and India were concerned, section 4 of that Act made provision that up to the 15th of November, 1932, commodities which had so far entered free from the Dominions and India into the United Kingdom should continue to enter free, and that after the 15th November, 1932, it would be open to His Majesty's Government to make orders in Council for the extension of these exemptions. And when this Act was enforced in April, 1932, it was made clear that in the case of India as well as of the Dominions, these exemptions would be continued after the 15th November, 1932, in case agreements were arrived at between the United Kingdom and India and any of the Dominions, so that, by the time that India had to decide whether it should or it should not take part in the Ottawa Conference, as I have said, the situation had radically changed. It was no longer a question of India continuing unconditionally and automatically to enjoy the preferences in respect of a few articles that it had been enjoying up to the time the Import Duties Act was put into force. The question was whether India should go forward, take part in this Conference and see whether an Agreement, mutually beneficial to the United Kingdom and India, could or could not be arrived at, or to keep aloof and lose the preference that it enjoyed at that time, and also lose all the benefits of free entry which it had up to that time and be placed in a position of disadvantage not only in regard to some of the commodities as against the United Kingdom, but also with regard to all commodities as against the Dominions, and it must be remembered that, with regard

to several of these commodities, the Dominions are active competitors with India so far as their trade with the United Kingdom is concerned. That being the position, the Government came to the decision that it would be extremely unwise to keep out of the Conference and that, therefore, a delegation should be sent to the Conference to make an attempt to come to some agreement with the United Kingdom on the lines that I have mentioned. This delegation, which consisted of Sir Atul Chatterjee as the Leader, and Mr. (now Sir) Shanmukham Chetty, Sir Padamji Ginwala, Seth Haji Abdoola Haroon, Sahibzada Abdus Samad Khan and Sir George Rainy as members, was nominated by the Governor General with the consent of the Secretary of State to take part in the Ottawa Conference. Preliminary discussions took place in the months of May and June in England and in July the Conference started in Ottawa, and as the result of those discussions, what is now known as the Ottawa Trade Agreement was signed between the representatives of the United Kingdom and the representatives of the Government of India on the 20th August, 1932.

Briefly, the scheme of the Agreement is this. As I have explained, up to the passing of the Import Duties Act, a very large range of commodities, as a matter of fact, all commodities with very few exceptions were entitled to free entry into the United Kingdom. Out of those commodities, a few would still continue to enter the United Kingdom free, whether India came into any such scheme or not. Those are the commodities, small in number, which are entered in Schedule I to the Import Duties Act. With regard to the remainder, any Dominion that did not come into the scheme would lose the right of free entry. Article 1 of the Ottawa Agreement secures the right of free entry of those articles into the United Kingdom. That is the first provision, and I might pause here for a moment to stress the importance of that provision. With regard to the other preferences, the position is this. India secured preferences for certain commodities as against foreign countries, that is to say, Indian goods entering United Kingdom would be at an advantage to the extent of the preference as against goods of foreign countries. But under this Article, India secured a position of equality with the products of the United Kingdom itself in the United Kingdom. I might, at this stage, name a few of the commodities, mostly manufactured or semi-manufactured, with regard to which this right of free entry has been of real value and benefit to India, and continues to be of benefit to India, in many cases, at a progressive rate. These commodities are, jute manufactures, woollen carpets, cotton manufactures, finished leather, unfinished leather, pig iron, coir manufactures, granite setts used for flooring, magnesium chloride, and sports goods. With regard to these commodities, the position is this—take, for instance, sports goods manufactured in India, these enter the United Kingdom free of duty; sports goods manufactured in the United Kingdom, when entering India, have to pay a duty of 50 per cent. Apart from the scale of the duty which differs with regard to different commodities, that might be said to be generally true with regard to the other commodities that I have mentioned: for instance, woollen carpets from India enter the United Kingdom free, while carpets from England have to pay a duty when they enter India. That was the first benefit secured to India, which, if the Agreement had not been entered into, India would have lost entirely.

[Sir Muhammad Zafrullah Khan.]

The next is that certain preferences were secured for commodities entering the United Kingdom from India, as against the same commodities coming from foreign countries, and those are set out in Schedules A, B and C to the Trade Agreement. With regard to Schedule A commodities, certain scales of duties were fixed to which foreign goods would be subjected. Most of those commodities would otherwise come in at the usual rate of duty. With regard to Schedule B commodities,—as a matter of fact, the only commodity put into Schedule B was coffee—a certain preference was agreed to be given, that is to say, whatever rate of duty was imposed upon foreign coffee, the difference between the rate for Indian coffee and foreign coffee would be 9s. 4d. per cwt., which works out as a preference at the rate of a penny a pound. With regard to Schedule C articles, the scheme was that the existing range of preference was guaranteed. It would be open to the United Kingdom to impose any rates of duties on foreign goods so long as the range of duties left a difference, between the duties imposed upon foreign goods and those imported from India, corresponding to the margin that then existed. Then, with regard to tobacco, for a period of ten years the then existing preference 2s.  $\frac{1}{2}$ d. a pound was continued and it was provided that, if at any time the duty on tobacco went below 2s.  $\frac{1}{2}$ d., the margin of preference would then operate to the full extent of the duty, but, so long as the duty remained above this limit, the margin of the preference would be 2s.  $\frac{1}{2}$ d. With regard to certain articles of which India was the chief exporter to the United Kingdom, it was agreed that those articles would be admitted free of duty to the United Kingdom, it did not matter from which sources they came. And the reason for the differentiation was this. India was the principal supplier of these commodities. Wherever India had obtained a preference it was a necessary condition that the goods exported to the United Kingdom should comply with the definition of Empire Origin, to be vouched for by means of certain certificates, and so on, to the British Customs Authorities that the goods were of Empire Origin. In the case of a commodity which was placed in Schedule D, these instructions would not apply. This was done at the request of the Indian Delegation. On the other hand, with regard to commodities entered in Schedule F, the United Kingdom were granted a certain range of preference—with regard to a very large majority of this, ten per cent., and with regard to some, mostly motor cars and motor accessories, a preference of 7 $\frac{1}{2}$  per cent. With regard to certain other commodities, a very small number, it was agreed that such of them as were not made the subject matter of protective duties by the Indian Tariff Board would obtain preference in India; the preference is specified again, generally, ten per cent. It was then agreed by Article 8 that His Majesty's Government in the United Kingdom would lend their support to any scheme formulated for the purpose of promoting the consumption of Indian cotton in the United Kingdom, whether by way of research, or improved methods of marketing, etc. Finally, there were provisions for extending the preferences to the Colonial Empire, and there was a provision in clause 14 that the Agreement was subject to termination on either side by six months' notice. That is to say, there was no period fixed in the Agreement itself after which it must automatically come to an end or before which it must be renewed, but it was left to either party to terminate it by six months' notice. There was also a provision made that, if at any time it became necessary to make an alteration in these

duties by either side on considerations which applied only to those commodities, notice should be given to the other side and if within six months no agreement could be reached, a further notice of six months of the change contemplated should be given and the change carried into effect. It was also agreed that if either party granted any further preferences with regard to the articles in Schedule C to the Dominions, then the same would automatically apply to the United Kingdom or India as the case may be. Now, as I have said, this agreement was arrived at between the representatives of the United Kingdom and the representatives of the Government of India and was signed at Ottawa on the 20th August, 1932. In announcing the decision of the Government of India to send a delegation to Ottawa, Sir George Rainy had said:

"If the conclusion of a Trade Agreement recommended as a result of the Conference any changes in the tariff which it might involve will be duly placed before the Legislature for its approval. The Government of India have no wish to put any such changes into effect unless the Legislature is satisfied that they are in the best interests of India".

In pursuance of this Agreement, not only the contemplated changes in the tariffs which might result from this agreement but the whole Agreement was put before the Indian Legislature for its approval and my predecessor, Sir Joseph Blore, moved a Resolution in the Assembly on the 7th November, 1932, for the acceptance of the Agreement. A Committee was set up on the 10th November, 1932, to consider the Agreement and as a result of the Report of that Committee on the 6th December, 1932, a Resolution was adopted by the Assembly approving of the Trade Agreement and asking the Government to take such steps as may be necessary to give effect to it. The Resolution ran thus:

"That this Assembly, accepting the Trade Agreement made by the Government of India with His Majesty's Government in the United Kingdom, which was signed at Ottawa on the 20th August, 1932, and the Supplementary Agreement regarding iron and steel contained in the correspondence between Sir George Rainy and Sir Horace Wilson, dated the 22nd September, 1932, and approving the Report of the Committee set up by this Assembly on the 10th November, recommends to the Governor General in Council that he do introduce in the Indian Legislature at the earliest possible moment such legislative measures as may be necessary to give effect to the agreements in question, and further that he do give effect to the recommendations of the said Committee.

In pursuance of this Resolution, a Tariff Amendment Bill was introduced on the 7th December, 1932, and the Bill was duly passed into law and took effect from the 1st January, 1933. Another recommendation of this Committee which had been set up to examine the Ottawa Agreement by the Assembly was to the following effect:

"We further recommend that on the expiry of three years from the date on which the preferences given by the Agreement become operative, the Government should place before the Legislative Assembly a detailed report on the course of the import and export trade in the commodities covered by the preferential rates of duty and that they should undertake to give the notice of denunciation required by Article 14 of the Agreement if the Legislative Assembly after considering the report is satisfied that the continuance of the Agreement is not in the interests of India. We wish to add that the Government of India's right to give notice at any time of denunciation of the Agreement is not affected by this recommendation".

As I have said, the Agreement itself specified no period and it is in pursuance of this recommendation of the Committee that I have moved this motion this morning that the working of the Ottawa Trade Agreement



[Sir Muhammad Zafrullah Khan.]

preferences may be examined in committee and that the Committee should report thereon. Now, one of the obligations laid upon the Government of India by the Committee of 1932 was to place full figures with regard to the export and import of the articles covered by the Trade Agreement before the House at the end of the three years period of the Agreement's working. I believe it was in reply to Mr. Vissanji's question during the last Budget Session that Sir Joseph Bore explained that, by the time of the present Budget Session, it would not be possible to supply the full figures for the three years, inasmuch as, with regard to several of these items, figures have to be completed by the help of statistics obtained from the United Kingdom, but that Government would do whatever they could to supply the figures up to as late a period as possible, and those figures have been supplied in the form of two volumes dealing with the years 1933-34 and 1934-35 and a supplementary statement bringing the figures, so far as it was possible to do so, up to October, 1935, have since been supplied. They must be on the table of Honourable Members, so that to that extent the obligation that was undertaken by Government has been discharged. As I have explained, it was not possible in the nature of things to supply the full figures for the three years, but Government have supplied figures up to as late a period as was possible for them to supply.

The question might well arise as to what is the best or the most suitable method by which the working of the Ottawa Trade Agreement might be considered by this House. Before I go on to offer any observations with regard to the best method of considering and reviewing the working of this Trade Agreement, may I make this one remark. With regard to several matters, a complaint has been made or expression has been given to the feeling that, however seriously the House might consider a problem, there was always a sense of unreality relating to the proceedings of this House, inasmuch as, with regard to most matters of importance, the final decision rests with an executive which is not responsible to the House and which is not removable by the House when it fails to carry out any decision of the House.

**Mr. M. Asaf Ali** (Delhi: General): It is not responsive either.

**The Honourable Sir Muhammad Zafrullah Khan:** I am not summing up the criticism in that respect. I am merely indicating that it is the feeling with regard to many matters that come up for discussion before this House. With regard to this particular matter, I may observe that, as the House is already aware, having regard to the proceedings that have taken place previously in connection with the Ottawa Trade Agreement and having regard to the undertakings given by Government that the House is responsible so far as the question of this Trade Agreement is concerned and that Government is responsible to the House with regard to this Trade Agreement in the sense that Government have undertaken that, in case the House comes to a decision after reviewing the working of this Agreement for the first three years that the Agreement is not in the interests of India and it calls upon the Government to give notice of termination under Article 14, the Government would be bound to give such notice.

**An Honourable Member:** Thank you very much.

**The Honourable Sir Muhammad Zafrullah Khan:** That being so, I would make an earnest appeal to the House that, having regard to the volume of India's trade which would be affected by any decision of the House one way or the other, the House would consider all aspects of the question most carefully before it recorded any decision with regard to the Ottawa Trade Agreement. I shall put it no higher than that. I have no reason to doubt whatsoever that the House will do that, but I thought it was necessary to stress that aspect of the matter before I proceeded to make any further observations on the working of the Trade Agreement. Another almost axiomatic statement is that the Government on this side, and I have no doubt the Opposition on the other, in considering this question will not be influenced by any consideration except the consideration of the benefit to India and India's trade. As I have said, there might be different views with regard to the method or the procedure to be adopted in considering the working of this Agreement, and Government have come forward with a motion that a Committee might be appointed to consider and report on the working of the Agreement. It might be said—why have not Government come forward with some positive motion asking for the continuance of the Ottawa Trade Agreement, or indicating that a modification of the Trade Agreement is necessary, and why do Government prefer to have the matter examined in committee and not on the floor of the whole House during the course of the debate? On this matter, opinions might well differ, but let me put forward two considerations before the House with regard to Government's preference for the method that they have adopted. One is that at certain stages this method has in the past been adopted by the House in order to examine the value and subsequently to examine the working of this Agreement. In 1932, the House agreed unanimously to the setting up of a Committee to examine and report upon the Ottawa Trade Agreement, and, as a matter of fact, two years later, when the report with regard to the figures for the first year was laid before the House, the House again appointed a Committee to examine and report on the working of the Ottawa Trade Agreement.

**Mr. B. Das** (Orissa Division: Non-Muhammadan): But that Committee report was never placed before the House and considered.

**The Honourable Sir Muhammad Zafrullah Khan:** I am now merely discussing the method which has been previously adopted for the examination of the question; and, as a matter of fact, I have some recollection—if necessary I can get out the reference—that, during the last Session, a suggestion was made to me at Simla that a Committee should be set up, or a question was asked why a Committee was not set up to examine the working of the Ottawa Trade Agreement. and I said, I think, that I would consider the question in the Budget Session, but that, had Honourable Members been anxious to examine the question by means of a Committee, I might have been able to meet their wishes if they had brought the matter to my notice earlier in the Session. So that Government were entitled to assume that this method, which had been considered convenient previously by the House for the examination of the Trade Agreement, would be considered to be the most suitable method of

[Sir Muhammad Zafrullah Khan.]

examining the working of the Agreement. But even if this method had not been adopted before, I venture to submit—and this is the second consideration—that with regard to the working of the Trade Agreement during quite abnormal times relating to a large number of commodities on either side, that examination being based upon a large mass of statistics, as I have said, I venture to submit that the procedure of Committee would be far more appropriate than the procedure of examining it by a debate in the whole House. After all, during the course of a debate in the House, individual Members may give expression to their individual opinions and judgments, but there is no room for that interchange and interplay of opinion which is available only in committee. The attempt to reconcile different points of view, to clear up matters that might be obscure, to put forward facts which might be in danger of being ignored, and then to arrive, not at an individual judgment, but at a considered collective judgment, is possible only in committee. The great advantage would be that in committee all these questions would be examined at close quarters by a continuous exchange of views; where it was, for instance, felt that a certain matter was raised for which there was a legitimate explanation on the one side or legitimate ground for criticism on the other, time and opportunity would be available to put forward that explanation or criticism, so that a just decision might be arrived at. Now, as I have said, there is a great deal of material which has to be considered. There are as many as fifty-five commodities on the Indian side which enjoy preference or the right of free entry, and there are as many as 163 commodities or sub-commodities which enjoy preference under Schedule F on the United Kingdom side, and to these might be added some commodities out of Schedule G to which preferences have since been extended, so that it would not be easy, apart from any considerations of time, to consider the value of this Trade Agreement or its working with regard to these commodities in a debate in the House; and I might explain that perhaps it might strike Honourable Members that the list with regard to the Indian preferences is much shorter than the list of United Kingdom articles which enjoy preferences in India. As to that, I might observe, for one thing, the United Kingdom list, comprising as it does manufactured articles and not primary commodities, is very much more detailed in its definition of articles and sub-articles than the Indian list which deals with bulk commodities. But there is one further test to be applied. The total value of the exports to the United Kingdom, in the last year for which figures are available, from India of commodities that enjoy preferences or the right of free entry is just over Rs. 41 crores, while the value of the articles exported from the United Kingdom and imported into India which enjoy preferences in India was during the last year slightly under Rs. 17 crores—Rs. 41 crores on one side and Rs. 17 crores on the other.

**Sardar Mangal Singh** (East Punjab: Sikh): Do the Indian figures include gold?

**The Honourable Sir Muhammad Zafrullah Khan**: No—the commodities which enjoy preference under the Ottawa Trade Agreement; I am not talking of the total export between the two countries.

**Mr. N. M. Joshi** (Nominated Non-Official): Do they include iron and cotton textiles?

**The Honourable Sir Muhammad Zafrullah Khan:** Cotton textiles have no preference at all. As I have said, even in normal times the examination of a question like this and this mass of figures on the floor of the House would be an extremely complex task and would not be satisfactorily carried out by the method of debate; but, as I have said, the working of the Ottawa Trade Agreement has not been in normal times. The House is fully aware of the chaos into which the commerce and the monetary exchange systems of the world fell some years ago, from which they have not yet fully emerged, although it might be hoped that certain tendencies are observable which, if they continue, might extricate the world from that confusion; but there have been all sorts of schemes resorted to for balancing budgets, and for the stabilisation, deflation, or inflation of currencies in a desperate attempt to put the exchanges and the credits of the different countries involved on a stable basis, there have been quota restrictions, tariffs, exchange restrictions, licensing systems, and all sorts of things, so that the whole course of international commerce has, during the last few years, been practically reversed. We have read a great deal of the transition from the system of barter to the very highly developed and complex system of international exchanges, and it seems as if we are working back again to the stage of barter in the case of some countries. Now, this Trade Agreement has worked against that background and it has to be examined against that background, and that makes the examination of the question still more difficult and still more complex. Allowances have to be made for all sorts of factors on both sides. It may be that on the surface certain preferences may not have worked well and a perfectly good explanation as to how we would have stood if there had been no preference might be forthcoming. On the other hand, on the surface we might have made a great deal of progress with regard to certain commodities and there might be explanations showing that we have been helped by mere fortuitous circumstances with regard to them so that the real benefit may not be quite as large as may be apparent on the surface, while, in other cases, the real benefit might have been concealed by factors which have been operating in the opposite direction. I have no desire at this stage to examine any of the provisions of the Agreement in detail in order to justify the continuance of the Agreement. I am making a motion for the appointment of a Committee and I am assuming that I may be able to persuade the House before the House records its decision on this matter that the best method of examining this question would be in committee. Therefore, at this stage, I would not enter into any detailed examination of the working of the preferences. But, before I sit down, I might draw the attention of Honourable Members to certain aspects of the question, one or two of which I have already referred to, namely as to how India would be affected in the absence of or in the case of discontinuance of an agreement like the Ottawa Trade Agreement. I am not saying that on the other side there would not be the consideration that if in substitution of this Agreement something could be secured which may be from the point of view of some Honourable Members more satisfactory than this Agreement, then those results need not follow, but at the present moment, I desire to pause and to look at the scheme of the Agreement in order to place some considerations before the House which might bear upon this question, that is to say in the absence of the Trade Agreement, what sort of conditions one might have to contemplate. I have already made reference to the right of free entry and the right of free entry, as I have tried to explain, extends to all commodities entering the United

[Sir Muhammad Zafrullah Khan.]

Kingdom except those which were already subject to duty before the Import Duties Act was passed, that is to say upon which revenue duties or safeguarding duties had already been imposed. With regard to the balance, all articles have a right of free entry, and the effect of it is this. Not only does it give us a position of equality with regard to such of those articles which we are able to export to the United Kingdom—with the United Kingdom itself—but it also places us in a position of equality with the other Dominions. Now, in the absence of this right of free entry, what would be the position of these commodities? The position would be that automatically they would become subject, except in the case of those which are already in Schedule I of the Import Duties Act, to the tariff schedules of the Import Duties Act and it would place the commodities coming from India not only at a disadvantage against articles manufactured or commodities produced in the United Kingdom but also against all the Dominions and the Colonial Empire. Some of these articles are jute manufactures, woollen manufactures, cotton manufactures finished leather, unfinished leather, magnesium chloride, sports manufacture and so on. That would be the first effect of the discontinuance of this Trade Agreement. The second effect would be this: the losing of all preferences that we enjoy with regard to articles in Schedules A, B and C. Those articles are rice, castor oil, linseed oil, coconut oil, ground nut oil, rape oil, sesamum oil, magnesium chloride, coffee (and omitting those that I have already mentioned), cotton yarns, unbleached, oil seeds cake and meal, paraffin wax, spices, teak and other hardwoods, woollen carpets and rugs, rice meal and dust, tobacco, castor seed, magnesite, sandalwood oil, granite setts and curbs, groundnuts, lead, etc. The right of free entry will also be denied to articles mentioned in Schedule D, that is to say, shellac, seed lac and stick lac, jute raw, Myrabolams, rice broken, mica slabs and splittings, etc.

Again, without entering into details, we might consider this, that having regard to the fluctuations through which international trade and commerce have been passing during the last few years and having regard to the straits to which some of the bigger industrial countries have recently been reduced, I do venture to submit that these preferences during the last three years have had a very great insurance value in the sense that certain tendencies having been set on foot in some countries to which I have made reference, they have had to take desperate steps to maintain parities of their exchange or to maintain their exchanges at any reasonable standard and every one of them has been forced to adopt measures upon the wisdom or otherwise of which it is not my purpose to pronounce here but, they have been forced to adopt measures of various kinds some of which I have already enumerated, in order to balance their trade with different countries—Germany, Italy, Iran, Turkey and so many other countries. I venture to submit that, apart from the wisdom of individual measures adopted, that is a tendency which has been forced upon those countries by the confusion into which international exchanges and monetary systems have fallen. That kind of action might have been of different descriptions in different countries, but if India had been without any such Agreement, and at a disadvantage with regard to the right of free entry into the United Kingdom, at a disadvantage with

regard to the preferences against foreign countries as well as the Dominions and the Colonial Empire, India's case would have been very much worse than that of some other countries, and certainly very much worse than the position and it is a fairly satisfactory position, in which it finds itself today with regard to these matters. As I have said, these negative advantages, which have resulted from the Ottawa Agreement, have been of immense insurance value to India, and, in the absence of this Agreement, these would not have been available, and if this Agreement were denounced it would be realised that they would not be available in the future. In this connection, I might observe, as was observed by our Trade Delegation to Ottawa, when this question was under discussion in the Assembly, that the position, with which India was faced in 1932, was no longer what is the positive benefit that India could get out of any such scheme; as the result of the reversal of the free trade policy in the United Kingdom, the position was: what steps can India take to ensure itself against the positive losses that were bound to occur if India was not able to enter into a satisfactory trade agreement. That is to say, how could it protect itself against loss? What did it stand to lose in case it did not come into any such scheme. I have already given the House some idea of the insurance value of this Trade Agreement, but I need not stop there. As a matter of fact, the Trade Agreement has been of positive value to India in promoting its trade, in the larger consumption of its commodities in the United Kingdom to a considerable extent. As I have said, it is not my purpose to go into details more especially as I have very few minutes left within which to conclude my observations. As an instance of the complexity of the question as well as an instance indicating the direction in which some of these preferences have helped India, I might make reference to one or two commodities though I need not go into them in detail. Take, for instance, linseed, which has been the object, during question hour at any rate, of a considerable amount of anxiety on behalf of certain Honourable Members. Immediately before this preference came into operation, the total export of linseed to all countries from India was, in 1931-32, 120,000 tons; and in 1932-33, 72,000 tons. The rough estimate is that out of our total production of linseed about 200,000 tons are consumed inside the country itself. Now, out of these two figures, the export to the United Kingdom was 14,000 tons in each case. In 1933-34, the total export was 379,000 tons; in 1934-35, 239,000 tons and in the eleven months of 1935-36, 148,000 tons. Out of these the export to the United Kingdom was as follows:

	Tons.
1933-34 . . . . .	176,000
1934-35 . . . . .	104,000
1935-36 (11 months) . . . . .	44,000

The lowest of these is more than three times the figures for the two years 1931-32 and 1932-33. And let me make this observation and that illustrates the complexity of the consideration of this question. In these 11 months of the last year though there has been a fall, our figures show that by the end of the year, that is to say, taking into account the figures for March which are still expected, we shall not have any appreciable exportable balance left. The smallness of the export is due to the fact that our exportable balances had been exhausted

[Sir Muhammad Zafrullah Khan.]

and we had in the last year only to deal with the crop for that particular year which was a bumper crop. That being so, our figures show that out of a total crop of 418,000 tons which has been the biggest for ten years, allowing for home consumption we have already exported 148,000 tons; and the rate at which the export has been taking place in the first two months of the year is such as to lead to the hope that there would be very little left of the remaining 70,000 tons that are available for export. Let me illustrate this by a reference to figures. During the first two months of 1936 the total export has been 42,000 tons and the export to the United Kingdom during January and February 1936 has been 20,000 tons. Therefore, I am fully justified in placing before the House these figures showing how various factors might operate in different parts of a year; and that it would be wise to examine this question more closely and incidentally to examine it at a stage when the figures of all the three years are complete. This question of linseed is, I venture to submit, a good illustration of the fact that upon incomplete figures for three years as considered a judgment would not be possible as would be possible upon complete figures for these years. Then, with regard to prices. Indian linseed, having regard to the preference, has enjoyed a very much better price in the United Kingdom than linseed from the Argentine.

Take, again, the case of rice. The preference on rice is a penny per pound and since April 1935 we have got three-quarters of a penny per pound on paddy also. The figures of exports from India into the United Kingdom were:

	Tons.
1931 . . . . .	23,000
1932 . . . . .	26,000
1933 . . . . .	32,000
1934 . . . . .	40,000
1935 . . . . .	45,000

That again, shows the value of having figures for all the three years. There might be certain progressive tendencies indicated in certain commodities, the value of which would have to be taken into account. After all we are quite aware of the almost elementary stage at which our propaganda organisation and market organisation stand; and we shall also have to take into account the stage at which we stand with regard to these matters in order to judge what benefit might be extractable from these preferences.

Similarly, take ground-nuts. I shall not go into details at this late stage, but the Indian exports to the United Kingdom were as follows:

1930—45,000 tons; 1931, 81,000 tons; 1932, 58,000 tons; 1933, 70,000 tons; 1934, 72,000 tons; 1935, 90,000 tons.

And the exports of ground-nut to the United Kingdom are worth from 60 lakhs to a crore per annum.

Then, take tea. With regard to tea the position is this. The three great countries that supply tea to the United Kingdom, the biggest consumer of tea, and also to the rest of the world are Ceylon, the Dutch

East Indies and India. Honourable Members are aware that there is a restriction scheme in operation with regard to tea which places this commodity in a peculiar position. But, apart from that, Indian tea enjoys in the United Kingdom a preference over Dutch tea of two pence per pound, and it exports to the United Kingdom 15 million pounds sterling worth of tea, that is to say, Rs. 20 crores worth of tea; and for that 20 crores gets a price from which the net profit will be two pence per pound greater than in the case of the Dutch East Indies. Honourable Members can themselves make a calculation as to how much that comes to in rupees. India supplies 55 per cent. of the United Kingdom's imports of tea and the United Kingdom takes over 90 per cent. of the total exports of India in tea. If this preference were lost, India would be relegated to the position of the Dutch East Indies, that is to say, would be subject to a duty of 4 pence per pound and lose the preference.

Now, Sir, I need not go on with regard to half a dozen other commodities that I have here with regard to which I wanted to give figures,—tanned hides and skins, teakwood and so on. And let me come immediately to cotton which is the last commodity that I want to refer to. With regard to cotton, I have already submitted to Honourable Members that Article 8 provides that His Majesty's Government would co-operate in promoting any scheme for the larger consumption of Indian cotton in the United Kingdom markets that might be agreed upon between the trading communities of the two countries. In pursuance of these efforts, the Lancashire Indian Cotton Committee was set up which has been carrying on research into the possible uses to which short staple Indian cotton might be put in the United Kingdom, has been carrying on propaganda and has been studying marketing conditions, bringing short staple Indian cotton to the notice of textile manufacturers, and so on. Two of their reports have been published and have no doubt been noted by Honourable Members; and again I might give certain figures to show what has been done in that direction. Cotton does not enjoy any preference; it has the right of free entry into the United Kingdom. Therefore any improvement with regard to the position of cotton was only to be expected from putting into operation the undertaking given in Article 8.

**Mr. M. A. Jinnah** (Bombay City: Muhammadan Urban): Is there any cotton in any other part of the world which has not free entry?

**The Honourable Sir Muhammad Zafrullah Khan:** What I mean is that, with regard to cotton, there is no advantage that arises from any preference.

**Mr. M. A. Jinnah:** I am afraid I was not understood. Has not cotton got free entry from every part of the world into the United Kingdom?

**The Honourable Sir Muhammad Zafrullah Khan:** I am afraid the Honourable Member did not understand me. I said it has no preference, which means it is free from all countries; and therefore I said that any benefit to be looked to in this connection was the benefit which might result from the activities of the Lancashire Indian Cotton Committee.



[Sir Muhammad Zafrullah Khan.]

With regard to this the figures of imports of Indian cotton into the United Kingdom are:

	Bales.
Season of 1932-33 (season begins with 1st August) . . . . .	230,000✓
„ „ 1933-34 . . . . .	362,000✓
„ „ 1934-35 . . . . .	394,000✓

And the latest advices are that the figures for the period from the 1st August, 1935, to the 12th March, 1936, are 306,000 bales as compared with 207,000 bales during the same period in the last year, that is to say, an advance during the current year of 100,000 bales. Taking the figures on the basis of calendar years and also making a distinction between short-staple cotton and long-staple cotton—because there has been some criticism that although the consumption of Indian cotton has increased in the United Kingdom the consumption has been mainly with regard to long-staple cotton, and, therefore, the anxiety of India to find a market for short-staple cotton has not been eased—I may give the following figures:

In the calendar year 1932 the total exports to the United Kingdom were 133,000 bales, 67,000 out of which were short-staple cotton;

In the calendar year 1933 the total exports to the United Kingdom were 273,000 bales, 113,000 out of which were short-staple cotton;

In the calendar year 1934 the total exports to the United Kingdom were 383,000 bales, 171,000 out of which were short-staple cotton; and

In the calendar year 1935 the total exports to the United Kingdom were 414,000 bales, 206,000 out of which were short-staple cotton.

Therefore, I venture to submit, again, that the activities of the committee which has been set up in pursuance of Article 8 of this Agreement have been of considerable value. But apart from that, in making reference to these articles and commodities, my point was this. Here is the interplay of different kinds of factors with regard to which several matters would have to be examined and explained, criticised and reconciled, before a considered judgment could be pronounced upon the working of the Trade Agreement, and therefore, my submission is that as I have no doubt that the House is anxious that the judgment that it records upon the working of this Agreement should proceed only upon one consideration and upon that alone, that is to say, to what extent the Trade Agreement has benefited and is likely to benefit India's interests and India's trades, I think, if I may say so without impertinence, that the House would be well advised to consider this matter in detail in committee before it considers it again in full session on the report of that Committee. Again, Sir, as I have said before—and I hope I shall not be accused of repetition—I am perfectly certain that the House is fully conscious of its responsibility in the matter—not using the expression in the ordinary sense, but in the sense that any decision that the House comes to with regard to the exercise of the option given in Article 14 of the Ottawa Trade Agreement would be binding upon them. With these observations, I commend this motion to the consideration of the House. (Loud Applause.)

**Mr. President** (The Honourable Sir Abdur Rahim): Motion moved:

"That, in accordance with the recommendation of the Committee referred to in the Resolution adopted by this Assembly on the 6th December, 1932, a Committee of this Assembly consisting of the Honourable Sir Frank Noyce, Sir Girja Shankar Bajpai, Mr. F. E. James, Sir H. P. Mody, Mr. K. L. Gauba, Sir Abdul Halim Ghuznavi, and the Mover be constituted to examine the working of the Trade Agreement concluded at Ottawa on the 20th August, 1932, between His Majesty's Government in the United Kingdom and the Government of India, and to report to the House thereon".

**Mr. President** (The Honourable Sir Abdur Rahim): There are twelve amendments of which notice has been received, and another in the name of Mr. Jinnah of which notice has been received today. The Chair finds, on going through the amendments, that those which stand in the names of Members of the Congress and the Nationalist Parties are all for denunciation of the Agreement—there is little variation in language, but that is of no importance whatever. There are two amendments in the name of Mr. Gauba.

**Mr. K. L. Gauba** (East Central Punjab: Muhammadan): Sir, I would only move No. 12.

**Mr. President** (The Honourable Sir Abdur Rahim): As regards that, it apparently contemplates the Report being considered in Committee subject to certain conditions. Mr. Jinnah's amendment of which the Chair has received notice just now and in respect to which the Chair will be prepared to suspend the Standing Order as regards the period of notice if the Honourable Member wishes to move it, is also to the effect that notice be given denouncing the Agreement in terms of Article 14 of the Agreement; he also makes another recommendation to Government as regards the method of entering into trade agreements. It is clearly unnecessary that all the amendments denouncing the Agreement of which notice has been given by Members of the same Party should be moved. The Chair understands that the Members of the Congress Party, except Mr. Desai, do not wish to move their amendments. As regards Dr. Banerjea and Mr. Amarendra Nath Chattopadhyaya, the Chair does not know if they wish to move their amendments, because theirs are also to the same effect as Mr. Desai's.

**Dr. P. N. Banerjea** (Calcutta Suburbs: Non-Muhammadan Urban): If Mr. Desai moves his amendment, I will support it.

**Mr. President** (The Honourable Sir Abdur Rahim): Very well, the Honourable Member will await his turn. The Chair understands Mr. Gauba wants to move his amendment, and Mr. Jinnah, the Chair takes it, also wants to move his amendment.

**Mr. M. A. Jinnah**: Yes, Sir.

**Mr. President** (The Honourable Sir Abdur Rahim): All these three amendments can be moved, and the discussion will proceed on all the three amendments as well as the original Resolution.

**Mr. Mathuradas Vissanji** (Indian Merchants' Chamber and Bureau: Indian Commerce): Sir, I do want to move my amendment. It is more comprehensive and goes farther than the other amendments.

**Mr. President** (The Honourable Sir Abdur Rahim): The Chair overlooked that amendment, the Honourable Member can move his amendment too.

**Mr. Bhalabhai J. Desai** (Bombay Northern Division: Non-Muhammadan Rural): Sir, I beg to move the amendment that stands in my name:

"That for the original motion, the following be substituted:

"That the Government of India do give notice under Article 14 of the Agreement concluded at Ottawa between His Majesty's Government and the Government of India on August 20th, 1932, that the Agreement is to terminate on a date six months from the date of notice'."

**Mr. President** (The Honourable Sir Abdur Rahim): Amendment moved:

"That for the original motion, the following be substituted:

"That the Government of India do give notice under Article 14 of the Agreement concluded at Ottawa between His Majesty's Government and the Government of India on August 20th, 1932, that the Agreement is to terminate on a date six months from the date of notice'."

**Mr. K. L. Gauba**: Sir, I move:

"That the following be added at the end of the motion:

(1) In considering the working of the Agreement, the Committee may suggest such modifications, in the event of continuation, as the Committee may consider necessary in the interests of India.

(2) On the consideration of the Report of the Committee, the House may decide that—

(a) the Agreement be terminated, in which case, Government undertakes and shall forthwith give notice of denunciation and take such further steps as may be necessary to this effect;

(b) the Agreement be continued conditional upon certain modifications. In the latter case, Government will negotiate along the lines recommended by the House, and any further agreement arrived at with the Government of the United Kingdom shall, before being given effect to, be submitted for ratification to this House.

(3) The Report of the Committee be submitted not later than 15th July, 1936'."

**Mr. President** (The Honourable Sir Abdur Rahim): Amendment moved:

"That the following be added at the end of the motion:

(1) In considering the working of the Agreement, the Committee may suggest such modifications, in the event of continuation, as the Committee may consider necessary in the interests of India.

(2) On the consideration of the Report of the Committee, the House may decide that—

(a) the Agreement be terminated, in which case, Government undertakes and shall forthwith give notice of denunciation and take such further steps as may be necessary to this effect;

(b) the Agreement be continued conditional upon certain modifications. In the latter case, Government will negotiate along the lines recommended by the House, and any further agreement arrived at with the Government of the United Kingdom shall, before being given effect to, be submitted for ratification to this House.

(3) The Report of the Committee be submitted not later than 15th July, 1936'."

**Mr. Mathuradas Vissanji:** Sir, I move:

"That for the original motion, the following be substituted:

'That the Trade Agreement concluded at Ottawa on the 20th of August, 1932, between His Majesty's Government in the United Kingdom and the Government of India be terminated; that the notice of this termination as required under Article 14 of the Agreement be immediately given to His Majesty's Government in the United Kingdom; and that no such Trade Agreement be hereafter concluded with any country by the Government of India except on a basis of complete reciprocity and after previous consultation with this Assembly.'

**Mr. President** (The Honourable Sir Abdur Rahim): Amendment moved:

"That for the original motion, the following be substituted:

'That the Trade Agreement concluded at Ottawa on the 20th of August, 1932, between His Majesty's Government in the United Kingdom and the Government of India be terminated; that the notice of this termination as required under Article 14 of the Agreement be immediately given to His Majesty's Government in the United Kingdom; and that no such Trade Agreement be hereafter concluded with any country by the Government of India except on a basis of complete reciprocity and after previous consultation with this Assembly.'

**Mr. M. A. Jinnah:** Sir, I move:

"That for the original motion, the following be substituted:

'This Assembly recommends to the Governor General in Council that the Ottawa Agreement, dated the 20th August, 1932, be terminated without delay and a notice of denunciation be given in terms of Article 14 thereof. The Assembly further recommends that the Government of India should immediately examine the trend of trade of India with various other important countries and the United Kingdom and investigate the possibilities of entering into such bilateral trade treaties with them whenever and wherever possible to bring about the expansion of export trade of India in those markets and submit such treaty or treaties for the approval of this Assembly.'

**Mr. President** (The Honourable Sir Abdur Rahim): Amendment moved:

"That for the original motion, the following be substituted:

'This Assembly recommends to the Governor General in Council that the Ottawa Agreement, dated the 20th August, 1932, be terminated without delay and a notice of denunciation be given in terms of Article 14 thereof. The Assembly further recommends that the Government of India should immediately examine the trend of trade of India with various other important countries and the United Kingdom and investigate the possibilities of entering into such bilateral trade treaties with them whenever and wherever possible to bring about the expansion of export trade of India in those markets and submit such treaty or treaties for the approval of the Assembly.'

**Mr. Bhulabhai J. Desai:** Sir, it is somewhat refreshing to be reminded by the Honourable the Mover of this motion of the responsibility that lies on this House in the matter of the effect of our conduct on any voting that the House may take on this question. It is almost ironical, considering the way in which responsibility has been discharged by them from time to time. But I may assure him, on behalf of those who think with me, that it is with a sense of responsibility that we commend the

[Mr. Bhulabhai J. Desai.]

step which is contained in the amendment which stands in my name. Not only that; but it is also an important contrast with the somewhat indecisive and vacillating policy as adumbrated in the motion before the House.

Let me begin not with a long historical account of the kind which has been given by the Honourable Sir Muhammad Zafrullah Khan, but with the Agreement itself; so far as the House is concerned, there are only two clauses to which attention has been called—clause 8 to which I shall come towards the end, in dealing with the question of cotton; and clause 14 which runs in his form:

“This Agreement between His Majesty’s Government in the United Kingdom and the Government of India shall continue in force until a date six months after notice of denunciation has been given by either party”.

Then, there follows a proviso which it is unnecessary to consider, owing to the manner in which the case has been presented, for the appointment of a committee by the Honourable the Mover. I will also mention the fact that when the Agreement was entered into, under what was called stress of circumstances arising out of the Import Tariff Duties Act of 1932, launching a somewhat new policy on the part of the United Kingdom in the matter of trade relationship with other countries, and after reading the account as given by Sir Joseph Bore of the justification—and taking at least his language which was unequivocal—the only justification for entering into the Agreement which brought before the House for its confirmation in November, 1932. The way in which the matter was looked at was not so much as to see what would be the effect of the operation of the Agreement in the matter of tariff duties of the United Kingdom on the future trade of India, but, in anticipation and in advance, hustled almost by an apprehension which was unreal, into entering into an Agreement as to one aspect of which at least there are no two opinions, and on that the evidence is unequivocal. Under clause 14 of the Agreement, it was competent to the United Kingdom to give notice for the termination of this Agreement. The fact remains, of which sufficient significance has not been understood, that the United Kingdom during the three years and even now does not seek to terminate this Agreement. It may require a considerable amount of argument in any other regard, but, so far as this one outstanding fact is concerned, it requires no argument at all. It proves one thing conclusively, that so far as the United Kingdom is concerned, it is satisfied that it has gained by the Agreement, which it does not wish to terminate. (Opposition Cheers.) You must, therefore, begin in an examination of this kind—and fortunately I have this advantage that I am not oppressed with an expert having commenced on the other side—there was a layman entirely, to a certain extent better instructed and served, but nonetheless occupying an almost similar position; and the most surprising omission in his speech was the fact that, bilateral as that Agreement is in the matter of India’s trade, you have not been told why it is that the United Kingdom still desires the continuation of the Agreement and has never suggested that they required either termination or revision. You, therefore, begin with a most fundamental and important fact, and, therefore, that part of it

would certainly not require examination, that so far as the United Kingdom is concerned, the figures which have been published show clearly that they stand definitely and clearly to gain by the continuance of the Agreement . . . .

**Mr. M. A. Jinnah:** They are quite satisfied.

**Mr. Bhulabhai J. Desai:** They are quite satisfied. Therefore, I presume being the shrewd businessmen that they are and looking after their interests, both politically paramount and economically strong, they are not the persons who are likely not to raise a voice if the Agreement in any behalf affected them adversely to the smallest extent. It is that which is the most important back-ground with which to commence, and not in any sense a political back-ground at all. At the time when this Agreement was brought before this House, the result of the votes, as far as I am able to see and read the speeches, was that the House was unable to come to the conclusion on an issue which was wrongly put, whether the Agreement if entered into would be disadvantageous to the interests of India. Sir, I must enter here an emphatic protest against the manner in which questions of this kind are sought to be dealt with for purposes of Indian trade and its expansion and improvement. The question before the House ought to have been, just as they want us now to enter into an examination after a period of three years, to see how the Agreement would work, it was their obvious duty to have allowed the Tariff Duties Act to work and to see what was its effect on Indian trade before entering into an agreement in this somewhat indecisive and dubious manner. I am, therefore, here first to point out that it was done—not in the interests of India,—and the very denial of it shows, and the denial is made more often than not too assertive, that there is a consciousness or a belief that it should not be dealt with on any political ground whatever but can it ever be denied that in the very term "Imperial Preference", there is and must be involved the domination of the stronger partner to the Agreement? (Hear, hear.) The fact remains that of all the parties at the Imperial Conference the one party that was the weakest, the one party that was the most inferior, so far as its political and economic situation was concerned, it was India, and yet, it is said that it will be wrong on our part to point out that the immediate effect was,—you may call it coercion, you may not call it by any stronger term,—that it has not been to the advantage of India but you are certainly bound to see in it the motives underlying the Agreement from the very manner in which it was rushed through, and the way in which it was brought and the ground on which it was accepted by the House.

Then, Sir, I cannot understand why it was said that we must give it a three years' trial, as if they might as well say, considering the speech that has been delivered in support of this motion, that perhaps another ten years would not show those tendencies are going to work out. It is really almost an offence to this House, almost a dereliction of its duty on the part of the Government of India that at all events, having entered into the Agreement with an indecisive feeling in their own mind, that even at the end of three years, instead of asking for a Committee, they ought to have got it examined by any expert or by any authority they liked and placed before this House their positive opinion as to what was the effect of this Agreement on India, because they undertook the responsibility

[Mr. Bhulabhai J. Desai.]

of entering upon it, and it is not up to them to say now: "We do not know how it works, there are tendencies which are said to be negative", called in a sense insurance. It is very much like, Sir, the case of a physician who, if he cannot do any good to his patient, often says: "If I had not treated you, might have been easily worse". Well, if that is all that the Government of India can say, I think they themselves, on their own showing, have made out a case for the amendment for which we stand, for, Sir, it was up to them as a part of their absolute duty to have got it examined by some experts or by some recognised authority. And why did they not do it? I am not one of those who believe that they have not done their duty so far as they themselves and their internal councils were concerned, but I am one of those who believe that a legitimate inference can be drawn from the fact that they are not able to come to this House and say, that while this Agreement has admittedly done good to Great Britain it has also done a proportionate and adequate good to this country. What prevented them from examining the agreement with the two experts who have been sworn in today for purposes of supporting it in this House. You don't need the experts here if the point in issue is you will examine it in future. Therefore, I take it that in their own heart of hearts they believe they have got to prove the true issue for which they ought to have been prepared and of which the burden lies upon them. If they are not, they stand condemned, and if they are, they stand even more condemned, in that it was their duty to take the House into their unreserved confidence as to the examination of their results. The points which have been touched upon towards the end of the Honourable the Mover's speech are those which I propose to deal with shortly myself, but in the commencement, Sir, it is these three important matters to which I wish to call the attention of the House. After that, I wish to call the attention of the House to a Committee which was appointed in the year 1934 for the examination of the working of the Agreement during that period. I am not complaining here, and I will not detain the House with a complaint that that was not brought before the House, though I am here to say that it was their obvious duty to have brought it before this House. (Hear, hear.) I will not detain the House also by reading what appears to be a somewhat dubious conclusion of the Report as signed by the several Members calling themselves the majority, but the clear verdict contained at page 54 of Mr. K. C. Neogy, Sir Abdur Rahim and Mr. B. Sitaramaraju is the one that I wish to read, and I wish to read it for more than one reason, not only because it contains a clear judgment according to their conception, but also because in the light of that opinion, it was the duty of the Government of India not to allow the matter to drift, but to take it up immediately there and then. Their conclusions are:

"(1) That the preferences given by the United Kingdom to our agricultural products have not to any extent that matters helped India to recover lost ground. On the other hand, the preference given by us to the United Kingdom's import has adversely affected our foreign markets."

(2) The heavy deficiency in our exports, which is the most disquieting feature of the situation, is mainly due to the weakening of our foreign markets, and the small increase in the exports that there has been in 1933-34 as compared with the previous year, is not such as to re-assure us that India is on the fair way to economic and financial recovery."

(3) Having regard to the economic policies adopted practically by all other countries, trade agreements on the basis of mutual interests seem to be inevitable."

I don't want to read their recommendation in detail. This is what was reported to the House on the 30th of August, 1934. Yet, what is the excuse, what is the explanation offered for continuing to drift for a period of two years thereafter? For there was nothing certainly in Article 14 requiring them to go on for a period of three years, irrespective of its effects or advantages or otherwise, on India and the sole interests of India, but the fact remains that they were the agents of the Secretary of State and being the agents of the Secretary of State, their attention was more directed to their masters than to the interests of India to which we are often told we ought to pay unqualified and exclusive attention. I believe, Sir, the boot is on the other leg, for, if in 1934 responsible elected Members, even in that Assembly, of the standing to which I have called attention, came to that conclusion, it was up to the Government then to bring it up, make their own Report upon it. So far as Dr. Meek's and Dr. Matthai's Reports are concerned, I shall have to say a few words later, but the matter was not examined as it ought to have been examined in view of the definite opinion expressed in 1934 by three Members of the Assembly. The matter, Sir, does not rest there. So far as the Federation of Indian Chambers is concerned, so far as the Indian Merchants' Chamber of Bombay is concerned, so far as the Indian Merchants' Chamber of Calcutta is concerned, they have definitely expressed their opinion that the Agreement, on the whole, has not worked for the benefit of India, and a notice of termination should be given. As against that, I have not seen any other opinion expressed by the British interests even in this country.

Now, Sir, after all is said and done, the expert's opinions do not matter in the light of this affirmative evidence provided by persons whose interest and daily interest is touched and affected. I have been told by my friends that they are cleverer than those whose pockets are touched and who understand their interests. But we would rather not take their speculative advice, but prefer the more concrete foundations of those who are able to say how much money goes into their pockets and how much money goes out of their pockets. They cannot be under a mistake, if two rupees have gone out, that they have, have gone out, though my friend, the expert, may lead them to believe by a jugglery that they ought to think that what is not a fact is a fact and both the rupees are there. So that, the question no longer depends on the advice of experts at all. After all, you are considering the interests of the trade of India, and who is more fit to pronounce as the result of the trade operations than the interests affected by those operations? Therefore, it requires no examination by our friend, the expert who would say, "If you had not done what I had told you, you might have been worse", a proposition which cannot be tested. "What I am telling you is this. If you do not continue to take my nostrum, you may be even worse in future." That is not the kind of thing that a man endowed with any common sense, trained either in business or in law can pay heed to at all, and I am really surprised that experts should come in where the patient is in a position to pronounce upon his own condition,—its advantages and disadvantages, and benefits. We are, therefore, face to face with this issue,—on those opinions which have been expressed, is a further continuance of this Agreement to be agreed to? The next issue is, what is to be lost so far as the interests of India are concerned? I am informed, during the course of the argument and during the course of



[Mr. Bhulabhai J. Desai.]

many of the criticisms which have taken place, that if we give notice of termination, we lose the United Kingdom's good will. Sir, I have been advising business people for a period of some 30 years, and my Honourable friend, Mr. Jinnah, has done that for a further decade. But I have never yet known that if two business men enter into an agreement there is any question of passion or prejudice; if either of them having the right to give notice of termination does so, he loses the good will of the other man. It is a well-known thing, you may have a lease for a period of three years for instance, with a proviso of six months' notice of termination, and it is the notice of termination which brings about, or which is the only inducing cause for a better agreement. If you choose to continue to suffer disadvantages and not to give notice, there is no inducement for anybody at all, particularly for the other side who is entirely satisfied with the results. Why should Britain give any notice? Why should Britain revise anything? They have no inducement to do so. My respectful suggestion to the House is that a genuine inference from any trade understanding of matters of this kind is that you are entitled to suppose that the only way to bring about a negotiating mind in those who have a decided advantage is to say, "So far as I am concerned, you have six months' notice, so that we may consider whether other and better terms could not be negotiated between us". Therefore, from the point of view of business I personally fail to see how it can be said, with what face are you going to deal with the other party for the purpose of revision of this Agreement? The party that is at an advantage and thinks it beneficial has no reason, whatever, to enter into another agreement. Even if you went there, you would be told, "Why should we?" But if, on the other hand, we say, "We will terminate this Agreement, notice will be given towards the end of April terminating in the month of October", then we have got a real period of six months, an effective period of six months, within which they must either continue at the end of that term with a better state of relationship between us, or let it be terminated. Having regard to the basic fact that it has worked to the advantage of Britain, that is the only way in which any man with any business sense would go about this matter if this Agreement is to be revised at all. That brings me to this. According to the opinion of businessmen themselves, in the summary of conclusions they have come to on a detailed examination of the Agreement, a detailed examination of which we are asked now to undertake for the third, fourth, or fifth time—a detailed examination by the Federation of Indian Chambers of Commerce and Industry shows this. I will take by articles a little later, and I wish, as far as possible, to confine myself within the limits of the time that have been imposed upon me:

"The examination of the several commodities in the export trade of India leads me to the following conclusions :

(a) In the case of linseed oil, hides and skins undressed, pepper, tobacco, pig lead, in spite of the United Kingdom increasing her imports, she took less from India and the extra market made available was either taken up by the Dominions or foreign countries.

(b) In case of rice, oil-seed cake, rice meal and dust, ground-nut, pulses, goat skins, the United Kingdom took no doubt more from India but India's exports to other non-Empire countries suffered. Some of these illustrations point out how diversions of trade have taken place.

(c) In case of coffee and tobacco, even with a preference, India could not improve her position because of certain factors which are permanent features of these particular articles but which were ignored by the Delegation.

In case of a number of commodities as has been pointed out in clause (a) above, India lost her ground in the United Kingdom market in spite of a preference and the extra market available in the United Kingdom was taken up by other countries. It will be found that the non-Empire suppliers are neutralizing the 10 per cent. preference by the greater depreciation of their currencies.

The examination of the import trade of India conclusively proves the apprehension held out by the Indian public that India was made to pay at Ottawa a premium to the British manufacturers for their inability to compete with continental manufacturers by making available to them greater share in the import trade of India under the Ottawa scheme of preferences. In practically every line of import trade, the United Kingdom secured either a substantial gain or consolidated her position in several of the important items of imports into India, such as, chemicals and chemical preparations, instruments and apparatus, machinery and mill-work, iron and steel, rubber manufactures, motor cars and cycles. Under all these heads, the United Kingdom secured a substantial advance in her trade with India".

The conclusion, therefore, is once more reinforced after a period of four years, the conclusion which was reported to this House and ought to have been considered in the month of August, 1934:

"That India's export trade in agricultural produce with the United Kingdom did not show any substantial advance owing to the fact that the British dominions securing similar preference gained a better and stronger footing in the United Kingdom market over India's produce;

That the intense economic nationalism initiated by the United Kingdom in creating an economic block within the Empire has restricted the growth of internationalism of trade instead of encouraging it and forced a number of manufacturing non-Empire countries to resort to import licenses, quota restrictions and exchange control to arrest the passivity of trade, which measures, in case of India, affected her export trade to these non-Empire countries".

It is now almost a common place that, as against three crores of gain, which is sought to be pointed out in the reports of Dr. Matthai, there are twenty-four crores of loss of foreign trade of India. The only explanation that has been vouchsafed is that those countries, in their own interests, in order to balance their own trade, have resorted to this course. The shortest answer to that is, obvious. You are not able to receive from these countries some of their articles, they are entitled not to receive the import of your goods, and that is the reason why our trade with non-Empire countries has suffered. So far as they are concerned, they would not take any of our raw products because we have, as a result of the preference, refused to take their finished goods. Therefore, the very reason given is sufficient to show that there is every advantage, so far as the Agreement is concerned, in its being now terminated. As regards the tendencies, I wish to point out that it is one of those nebulous things which it is very difficult to examine the value of. But, is it because the problem is difficult, therefore, we are to be launched into a region of speculation, or are we to test it upon the touchstone of the opinion of the interests affected, not an opinion on an issue of a purely political character, not an opinion on a matter in which they do not individually participate, either by way of profit or by way of loss, but an opinion, the touchstone, whether they stand to gain or stand to lose. I am told that I am oppressed by the opinions of merchants as opposed to the expert, but let me tell him that, whereas his opinion puts him to no loss, except a speech in this House, the opinion of those who suffer or gain is the real and better opinion by which we would choose to go. In so far as the articles to which attention has been called are concerned, I will deal with only linseed and cotton. As to linseed the position is extremely simple:

"It was generally agreed in 1932 that linseed was a crop which was most likely to profit from a preferential treatment. The trade figures for 1933 and 1934 show a

[Mr. Bhulabhai J. Desai.]

most revolutionary change in the imports of linseed into the United Kingdom. During these two years, India supplied much larger quantities of linseed than Argentine, which has during the post war period been the chief supplier to United Kingdom. This change seems to have been chiefly due to a shortage of crops and an increase in price of the Argentine linseed. On account of the shortage of crops in Argentine, the demand for Indian linseed increased not only in the United Kingdom but in the entire world market".

Therefore, so far as this is concerned, the explanation is obvious and requires no investigation. So far as cotton is concerned, Article 8 clearly shows that there is no obligation. This is a pious wish which they may or may not fulfil. To call it an Agreement, I submit, is to use a wrong phrase altogether. Article 8 says:

"His Majesty's Government in the United Kingdom undertake that they will co-operate in any practicable scheme that may be agreed between the manufacturing, trading and producing interests in the United Kingdom and India for promoting, whether by research, propaganda or improved marketing, the greater use of Indian cotton in the United Kingdom".

If a clever man, and a hard headed lawyer that he was at all events before he came here and who still has that training in his mind, calls this an agreement, I would certainly tell him that he ought to reconsider the meaning of the word 'agreement'. An agreement which involves no obligation, the non-fulfilment of which does not in the least degree expose him to any loss is, according to my humble understanding, no agreement at all. As to tea, the Honourable the Mover has himself given the answer.

**The Honourable Sir Muhammad Zafrullah Khan:** If my Honourable friend reads my speech in print later on, he will find that I have described it quite correctly.

**Mr. Bhulabhai J. Desai:** Article 8 of the Agreement contains an article which, on his own admission, is not an agreement.

**The Honourable Sir Muhammad Zafrullah Khan:** I have not said that. When you read my speech, you will find that I have described it quite correctly.

**Mr. Bhulabhai J. Desai:** I have only one word more to say on the question of tea. So far as tea is concerned, the countries affected by the Agreement are Java, Ceylon and India and I think even an expert business man would not be able to separate the effect of the Agreement and say what the effect would have been if the Agreement had not been made. India is a debtor country and Britain takes at least 40 crores as pointed out by the Honourable the Finance Member for invisible services—they are very invisible indeed! And we pay in the shape of our raw products. It is unthinkable that India, if she had stood on her own ground, could have been rushed into this Agreement as she has been. It always pays a creditor to keep the debtor a solvent country, as was proved in the case of Germany after the Treaty of Versailles. It is a matter of common knowledge that you cannot go on taking gold for the purpose of balancing your trade. A time must arrive when you must take other products, for gold cannot be eaten. You can only preserve it for the purpose of backing your currency. I, therefore, submit, that both in the initial stages in 1934 and in the year 1936, there is a unanimity of opinion, which the Government of India have not dared to contravert, in favour of an immediate notice of the denunciation of this Agreement.

**Mr. K. L. Gauba:** Sir, the Leader of the Opposition usually likes the final word on every subject of great occasion. Today, Sir, he has preferred to be the oracle of termination, but, I hope that he will at least concede that the arguments that have been advanced in the last 35 minutes are not the last word on an important subject of this character. Shorn of the elegant phraseology of which he is a pastmaster, I am afraid, my friend, the Leader of the Opposition, has not really met the case which is before the House. The case is not—as he seems to suppose—between the continuation of the Ottawa Agreement and the termination of that Agreement. Let us be quite clear as to the issue before us. The issue now before the House is whether this House is to denounce the Agreement, or to go into committee on this question. The point put forward by the Commerce Member is: this is a complicated case, this is a case in which there are a great deal of figures on both sides; there are a great deal of considerations and a large number of commodities. All these matters cannot be discussed on the floor of this House. That was the point of the Honourable the Commerce Member. Now, Sir, what is the answer of the Leader of the Opposition to that? The Leader of the Opposition tried to make out a case for a termination of the Ottawa Agreement: and, what was that case? “The United Kingdom is not seeking to terminate this Agreement. Therefore, we should seek to terminate this Agreement.” I submit that is neither here nor there. Another argument advanced by my friend, the Leader of the Opposition, was that “the Government should have examined the working of this Agreement, and put forward recommendations: since the Government has failed to do so, therefore we should terminate the Agreement”. I submit that the case before the House is really much more serious than that.

**Mr. B. Das:** You have not understood him.

**Mr. K. L. Gauba:** I have understood him perfectly. My friend, the Leader of the Opposition, will concede that those who differ from him are as much interested in the welfare of the country as he is.

**Mr. B. Das:** What does your Lahore Chamber say?

**Mr. K. L. Gauba:** I will come to that.

The value of a committee, and the desirability of a committee, should be obvious to Members of this House. The other day, we had the Delimitation Report placed for the consideration of this House. It was Pandit Govind Ballabh Pant, one of the leaders on the Opposition side, who said, and rightly said, that that was a complicated matter, involving many considerations, and that, therefore, the matter should be considered in committee, where members could interchange ideas in a manner which they cannot do in this House. So far as the Ottawa Agreement is concerned, it is an infinitely more complicated matter than the Delimitation Report. The Government may have a good case or not for the continuation of this Agreement. That is neither here nor there. I would ask the Leader of the Opposition? Why do you burke an inquiry? Why do you shirk an inquiry? After all, what do you lose by an inquiry? If the Government give you an undertaking that the report of the committee will be placed before this House, and this House will consider it, and that the decision of the House will be carried out, why do you run away from an inquiry? Why do you fight shy of an inquiry?

[Mr. K. L. Gauba.]

Now, let us take the other side of the question, namely, whether my friend, the Leader of the Opposition, has made out a case for the termination of this Agreement. I submit, in this connection, Sir, that what we have to do today is to see whether there is a *prima facie* case, just a *prima facie* case, for a further investigation and negotiation. If there is such a case, the necessity of a committee becomes irresistible. I perfectly agree that a mere historical investigation may be neither here nor there, but if the Government of India go further and say, that, on this investigation, they will negotiate as a result of the labours of this suggested committee for further tariffs, I say, that is a valuable position which this House should not throw away.

Now, Sir, let us for a moment see—what is the best case made out for the termination of the Ottawa Agreement? That best case, I submit, *has not* been made out by the Leader of the Opposition; the best case will be found in the "Note on the Ottawa Scheme of preferences" from which he quoted and from which I also propose to quote presently. Now, the case there set out, in substance, is firstly that the United Kingdom has made more out of Ottawa preferences than India has. And secondly, that a policy of preference results in retaliation by other countries. The first is a frivolous argument. Now, so far as the second question goes, namely, the factor of retaliation, I would ask the House to bear with me for just two minutes. Neither in the "Note on Ottawa Scheme of Preferences" above referred to is any indication given as to what are these retaliatory measures which are alleged to have been taken as a result of the Ottawa preferences. Sir, a list of various Acts passed by various countries was circulated by the Commerce Department to Honourable Members the other day. In that you will not find a single enactment which really covers the point so far as retaliation goes. Now, Sir, if we do not accept this report, I say, "well, throw it aside, throw aside the statements of the Commerce Member and of the Government". Now, let us take Mr. Satyamurti's statement. After all, Mr. Satyamurti is a person on whose statement everybody can rely. (Laughter.) What does Mr. Satyamurti say on the question of retaliation? Mr. Satyamurti, Sir, circulated a confidential note for the edification of the Members of this House; it was marked confidential; but it eventually appeared the next day in the *Hindustan Times*. He says this. The question he asks:

"What has been the reaction of foreign countries to the Ottawa Agreement?"

He answers the question himself, as follows:

"The fall in our exports to foreign countries has been 8 crores of rupees, i.e., from 64 crores in 1932-33 to 56 crores in 1934-35, i.e., 12½ per cent. But the whole of this fall cannot be ascribed to the Ottawa Agreement; because of the general depression in Europe and elsewhere of the exchange restriction, quota systems, tariffs, etc."

Well, Sir, I submit here is another *prima facie* point for investigation by this Committee.

Then, my friend, the Leader of the Opposition, referred to the "Note on Ottawa Preferences" by the Federation of the India Chambers of Commerce. I will refer to it briefly. But, I do not know, Sir, whether you intend to enforce a time-limit so far as my speech is concerned, but anyway I presume there is a time-limit. Sir, the Leader of the Opposition had 35 minutes, and, I Sir, might claim a little indulgence from you . . . .

**Mr. President** (The Honourable Sir Abdur Rahim): The Chair does not think the Honourable Member has a right to ask the Chair to exercise its discretion in his favour.

**Mr. K. L. Gauba:** I was referring to the Note on the Ottawa Scheme of Preferences which was quoted by the Leader of the Opposition. He referred to various commodities cited at page 71. He referred to the commodities where the United Kingdom took less from India. He also referred to certain of the commodities in which the United Kingdom took more from India. There is a third class of commodities on the same page of the report, *viz.*, coffee and tobacco, where it is stated that India could not improve her position. But, Sir, in this very report you will find the explanations of the two cases referred to by my learned friend, the Leader of the Opposition, *viz.*, in the first case the explanation is given at page 72 where it is found that the reason why Indian goods did not get the fullest advantage in the United Kingdom is because of non-empire suppliers neutralising the ten per cent. preference by the greater depreciation of their currencies. So far as coffee and tobacco are concerned, the reason given in the report is that:

"Certain factors which are permanent features of those particular articles were ignored by the Delegation. Indian coffee is of a superior type and not suitable for large-scale consumption in the British market".

Now, Sir, I submit that if that is the case, and it is the case, the Committee can certainly recommend, and I am sure the Government of India would negotiate on the recommendations of the Committee, that on these articles, for these reasons further preferences are necessary, and there is no reason why the Government of India should not be able to get further protection for India on these articles.

In this connection, I might very well refer the House to a book "Revision of Ottawa" that was circulated to many Honourable Members written by Professor Ghosh, Reader of Economics in the University of Bombay. It is a book entirely devoted to the question of the Ottawa Agreement. Well, Sir, if some friends on the Congress Benches feel that Mr. Ghosh is a partisan, I will refer them first to his statement at page 65 relating to the export of pig lead from India. Here he says:

"Our total exports and exports to United Kingdom declined between 1932-33 and 1934-35. On the other hand, exports to other countries increased."

These remarks suggest that preference did not help us to increase our trade with the United Kingdom.

Well, Sir, you will see he admits that there was a decline so far as that article is concerned. Then, he goes further and considers the other commodities and analyses them as Chambers of Commerce have done, in order to see whether there has been an increase. His final conclusions are important. He continues to take a fair view of the case. He has given the cases where India has and has not gained as much as she might have, and after considering all facts on both sides he arrives at certain conclusions: these will be found on page 86. It cannot be said that he is a biased observer, or that he has any political axe, or any other axe to grind, in the matter. What he says is this:

"It was found that in the case of an important group of commodities, *e.g.*, ground-nuts, which we had to dispose of largely outside United Kingdom, British preference was of little or no value to us. In respect of another and equally important group

[Mr. K. L. Gauba.]

of articles, e.g., tea, however, this preference was certainly valuable to us sometimes in improving our position in United Kingdom relatively to foreign suppliers, sometimes in defending it against other Empire producers. Moreover, though in some of these cases our gains in the United Kingdom were at the expense of our position elsewhere, there was a net improvement of our total exports".

Then, finally, he comes to his conclusions. What are his conclusions after considering the Ottawa Agreement in a fair and judicial manner? After taking into consideration what India has gained and what India has lost, he says:

"Thus it would not be to our interest to scrap the Agreement altogether. We have to be satisfied, under existing conditions, with mending it. As we have seen, the defects of the present agreement themselves call for such a revision".

**Dr. P. N. Banerjea:** Please read the third paragraph on page 87.

**Mr. President** (The Honourable Sir Abdur Rahim): The Honourable Member himself can read it. Let the Honourable Member go on with his speech.

**Mr. K. L. Gauba:** The paragraph in question does not help my friend, Dr. Banerjea. It is not necessary to read it as I have got very little time left to finish my speech.

I will ask you now, Sir, to consider the figures comparative of India under the working of the Ottawa Agreement with the figures of similar trade in similar years of other Empire countries. I will refer the House, in this connection, to the figures prepared by the British Board of Trade and laid before the Empire Parliamentary Conference last July. Two statements were placed before us at the Conference and I will refer to them. One is the total declared value of the United Kingdom Exports to the 'Ottawa' countries during the years 1932 and 1934, and the other is the total declared value of United Kingdom imports of merchandise from the 'Ottawa' countries during the same period. Now, Sir, what do we find? We find that the total value of exports of United Kingdom exports to the 'Ottawa' countries during the years under reference, there was an increase in the case of Canada by three millions, Australia six millions, New Zealand one million, Union of South Africa 12 millions, and India 2½ millions. The total value of imports during the same period from the 'Ottawa' countries: Canada seven millions, Australia four millions, New Zealand three millions, the Union of South Africa lost trade by three millions, and India gained by ten millions. I say, from these figures, that *prima facie* India has not done so badly out of the contract as my Honourable friend, the Leader of the Opposition, would have us believe. *Even* as compared with other Empire countries working during the same period of time!

I will now conclude by referring you, Sir, to the importance of my particular amendment. My amendment presupposes the appointment of a Committee. So far as the personnel of the Committee is concerned, I would beg of the House to put the personnel of the Committee completely out of its mind. The Congress Party in this House was asked to nominate its Members and I believe the Honourable the Commerce Member is

perfectly willing at any time to have Congress representation on the Committee and if the Congress Party feel that they would like to have another seat, I am quite ready to give up my seat to them. But, Sir, I do feel, that the most important party in the House should not shut its eyes to the fact and say, "No, we want to terminate; willy-nilly we are not prepared to go into the facts under any circumstances". What I do consider about the Agreement is this. That the Government should make it clear and should make it explicit that the report of the Committee will be placed for the consideration of this House, for the decision of the House and whatever be the decision of the Committee, whether for termination of the Agreement, or for modification of the Agreement or for negotiation, the Government will faithfully and loyally carry out those recommendations.

**Mr. S. Satyamurti** (Madras City: Non-Muhammadan Urban): They have already said so.

**Mr. M. A. Jinnah**: They have already made it clear.

**Mr. K. L. Gauba**: When the Government have made it clear, then I see there is no answer which the Congress Party has for refusing to serve on the Committee. They have absolutely no answer for refusing the offer. (Applause.) With these remarks, I commend my amendment for the acceptance of the House.

The Assembly then adjourned for Lunch till Half Past Two of the Clock.

The Assembly re-assembled after Lunch at Half Past Two of the Clock, Mr. Deputy President (Mr. Akhil Chandra Datta) in the Chair.

**Mr. Mathuradas Vissanji**: Mr. Deputy President, in moving the amendment that stands in my name, I shall not waste much time in explaining what my amendment seeks to achieve. It is a simple refusal to continue any longer the Ottawa Agreement, and desires Government to give notice of its termination, as required by one of the Articles of that Agreement. And, lest, at any time in the future, another such Agreement might be made to the prejudice of this country, without any knowledge or consent on the part of this House, my amendment seeks to prohibit altogether the making of any new treaty, with any country within or outside the British Empire, except on a basis of perfect reciprocity, and only after previous consultation of this House. We do not desire, Sir, that any new treaties of this kind be made, which would create powerful vested interests in our country. The protection of these interests would impose additional safeguards and restrictions upon the powers of the future Government of India, which this House can never be a party to. The purport of my amendment is, not so much to negative the very principle of a trade treaty; but to have such treaties, if we must have them, separately with each individual country, on a basis of perfect reciprocity, and with the full approval of this House, so that no awkward vested interests be created to our prejudice.



[Mr. Mathuradas Vissanji.]

And here let me reply very briefly to the charge made by Mr. Gauba that those who desire an immediate termination of the Agreement are really shirking an inquiry. We are not shirking an inquiry; we do not want any, simply because we do not see any need for wasting any more time and suffering further loss to our trade. There have been already two or three official inquiries and reports by a Committee of this House, and by the experts of Government. There have been also Trade Commissioners' reports and all these more than serve the purpose of an inquiry. Without wasting more time, and permitting more damage to our trade, we want to terminate it; and so there is no need for a Committee.

This, Sir, is a proposition, which, in the opinion of all the organisations representing the industry and commerce of this country, is indisputable. From that standpoint, it is needless to waste any more time, and inflict any more loss on the country's trade, by such devices as an investigating Committee, as the original motion seeks to do. For what, Sir, can the Committee of the type suggested by the Honourable the Commerce Member tell us that we do not know, in general terms, already? As it is, we have had two special reports from the Director General of Commercial Intelligence and Statistics on the working of this Agreement; and the purport of both of these is condemnatory, almost without qualification. Moreover, the Annual Trade Reviews, the Reports of the Trade Commissioners in this country and of this country abroad, make it evident beyond the possibility of misunderstanding, not only that the trade of India has received no such benefit as some of the advocates of the Ottawa Agreement expected; but has positively suffered a setback, which all the sophistries of the special articles recently published by the Director of Information cannot explain away. I, therefore, think, Sir, the House need not waste a moment in disposing of this question by such a dodge as the appointment of another Committee to investigate into a matter that has been discussed threadbare.

As already indicated, Sir, I shall adduce, in support of my argument, the evidence only of the official authorities already referred to. The three main grounds, on which I would condemn unreservedly this Agreement, and would terminate it forthwith, are: that (1) it has ruined our trade with other countries, and not benefited it with the countries enjoying special preference even to the extent of compensating us for our loss; (2) that it has interfered seriously with our Balance of Trade by favouring specially countries with which we habitually have a passive balance, at the expense of the countries with which we normally have an active balance; and (3) by its very existence, it has prevented the development of those Indian industries, which may be competing with the corresponding industries of the countries enjoying preference in the Indian markets, or precluded them from developing to the full extent to which they would have developed in the absence of such preference to their most formidable rival; and so injured the general economic position of this country, for which the consequences of the Treaty afford no compensation.

Taking these arguments seriatim, there can be no dispute over the fact that the aggregate value, and even the volume, of India's foreign trade has substantially diminished. The post-war average of India's foreign seaborne trade is given in the latest Trade Review at 573 crores of stores and merchandise, while the corresponding total for 1934-35 is given

by the same authority at 293 crores, or a fall of nearly one-half. The fall is in reality much greater than it appears in terms of Rupees; for the gold value of our exports has fallen even more than that of the imports; and so, the general decline in the value or volume of Indian trade is much more substantial than appears from those figures.

Not all this decline is explained away, despite the heroic efforts of the compiler of the special articles of the Director of Information by the existence of special conditions or policies in other countries. For, forms of Economic Nationalism were in operation in the European countries, America and Japan, even before the great depression began. Yet they had not affected the trade of this country in a downward direction, until the United Kingdom went off gold, and ceased to be a free market that it was before the imposition of import duties and a Protectionist Policy in general in that country. The real reason why our trade has, since 1931-32, been particularly adversely affected lies, according to the disclosures of the authorities already cited, in that policy of restriction, protection, or preference—call it what you like—which Britain adopted in 1932 for her own insular reasons. She compelled this country to follow this policy, so that other countries, formerly trading handsomely with us, have been obliged perforce to curtail their purchases in this country, because they cannot sell their products to this country on anything like a fair exchange basis.

Let me, at this point, dispose of one of the sophistries of the official propagandist in favour of this Agreement. He admits, in the second article of the series, that even compared to 1931-32, the total value of all Indian exports has fallen by about 3½ per cent. in 1934-35, the exports to the United Kingdom improved without, however, making up for all the loss suffered by India because of the preference granted to that country. While the total exports fell from 157.6 crores in 1931-32 to 152.39 crores in 1934-35, the improvement in regard to exports to the United Kingdom of 5.81 crores was more than counter-balanced by the decline in exports to other countries from 114.7 crores to 104.3 crores. While the total value of all exported articles enjoying preference was 110.93 crores in 1931-32, and 94.41 crores in 1934-35, the exports of these articles to Britain were, in the same period 33.3 crores, and 36.7 crores respectively; while with other countries, the exports of these same articles varied from 77.63 crores to 57.70 crores. In other words, in the preferred exports, while we improved our trade with the United Kingdom by some 3.4 crores, we suffered a loss of nearly 20 crores with other countries in these same articles.

The same tale is repeated in non-preferred articles, also with a more lurid light on the working of the Agreement. The total exports of these non-preferred articles were Rs. 46.63 crores in 1931-32, and 57.98 crores in 1934-35, actually an improvement without the very dubious aid of Imperial Preference. Britain herself took, of these non-preferred goods, 9.58 crores worth in 1931-32, and 11.36 crores worth in 1934-35, while other countries took 37.05 crores in 1931-32, and 46.62 crores worth in 1934-35. If these figures teach any lesson, they show that preference within the Empire is by no means necessary for improving the trade of India. The fiscal policy of other countries has always aimed at economic nationalism, which however did not prevent them from buying India's foodstuffs and raw materials, to keep up their own industries.

[Mr. Mathuradas Vissanji.] ✓

Coming to my second argument, I may give here some statistics of the ruin of our favourable position in respect of the Balance of Trade, which has turned this country, from being a heavy importer of specie, after meeting all current obligation on account of her "invisible Imports", into as heavy an exporter of gold. With the United Kingdom, we always held an unfavourable balance of trade; and this Agreement has done nothing to alter that. Our adverse balance of trade with the United Kingdom was:

	Rs.
in 1929-30 . . . . .	36.5 crores.
in 1931-32 . . . . .	2.0 "
in 1932-33 . . . . .	11.8 "
in 1933-34 . . . . .	0.3 "
in 1934-35 . . . . .	6.2 "

To meet this adverse Balance of Trade, and a still heavier adverse Balance of Accounts, we must have favourable balance of trade with other countries. Now, it is an irony of fate, Sir, and the peculiarity of this Agreement, that, precisely those countries with which our trade is, on the balance, favourable to this country, are penalised; while the United Kingdom—whose trade and other dealings with us do not leave a favourable balance at all—is benefited. While our favourable balance of over 10 crores with Germany in 1929-30 was converted into an unfavourable balance of 3.1 crores in 1934-35, favourable balance with other countries was reduced by from 75 per cent. to 33 per cent. as the following figures would show:

	Balance in crores of Rupees.	
	1929-30.	1934-35.
Nether'ands . . . . .	4.9	1.2
Belgium . . . . .	5.4	2.0
France . . . . .	12.2	3.7
Italy . . . . .	4.6	2.7
Japan . . . . .	8.7	3.3
U. S. A. . . . .	18.6	4.5

This is inevitable, when we remember that, while the exports of Indian merchandise have fallen as compared to the 1929-30 level from 310.8 crores to 151.2 crores in 1934-35, or by 52 per cent., imports into India have fallen from 238.9 crores to 131.1 crores in the same period, or by about 45 per cent. The imports from Great Britain and non-Empire countries show the same tendency in a still marked degree. The imports from the United Kingdom were Rs. 44.8 crores in 1929-30, and Rs. 53.7 crores in 1934-35 or an *improvement* of 36 per cent. while those from other countries have declined from 69.8 crores to 66.9 crores or a fall of nearly five per cent. Under these conditions, our balance of accounts must be inevitably prejudiced against us.

I have already referred to the statistics of Indian exports receiving preference in the British markets. I will not retail here the tale of the several articles, which were supposed, at the time this Agreement was boosted, to broaden considerably their market in the United Kingdom, but which have sadly belied all expectations of their sponsors. Whether

it is the case of Indian rice, wheat, seeds, coffee or similar articles, there is everywhere the same disappointment. The reports of the Trade Commissioners are far too eloquent in this regard to need any repetition. Despite his resolve to prove an impossible case, the compiler of the special series of articles is unable to deny this feature, nor prevent the disillusionment that must naturally arise in every dispassionate eye contemplating such evidence. Britain has never foregone her right to buy in the cheapest market, preference or no preference. All that this Agreement was intended to achieve was to improve the trade of Britain and the markets for her industries unable to compete on equal terms with her new rivals. And this the Treaty has eminently accomplished—no matter how the Indian trade and industry fare in consequence. I would not, Sir, have objected to such an arrangement if, as a result thereof, both India and Britain had gained equally or at least substantially. But when we find, as these figures show, that the gain is wholly for Britain and the damage is exclusively to India: no fair-minded person can expect us to support or continue this one-sided Agreement. To Britishers this may not be a very serious question. But to us, in this country, the phenomenon cannot but give food for furious thinking; and, were there no other reason, I would submit, Sir, that for the injury this kind of Agreement works upon India's nascent industries, it must be condemned and never resorted to until our indigenous industry has grown to the full stature that its inherent advantages afford it.

**Mr. Deputy President** (Mr. Akhil Chandra Datta): The Honourable Member has one minute more.

**Mr. Mathuradas Vissanji**: I will finish it, Sir. Because of preference to British competing industry, Indian industry either cannot grow to the full size, or, if it does succeed in marketing the whole of its output, it must do so in subordinate co-operation with the products of the senior partner in the firm of John Bull, Unlimited. And because our industry cannot grow, under this handicap, to its full legitimate stature, our labour must remain unemployed, our agriculturist over-burdened, even our capital lacking in suitable and profitable investment.

For these reasons, Sir, I think it is useless for us to waste any time upon a further examination of the dire consequences of this precious Agreement, but we should forthwith terminate it, and refuse to conclude any new treaty with Britain, or any other country, except on a basis of perfect equality and reciprocity, and after consultation with this House.

**Seth Govind Das** (Central Provinces Hindi Divisions: Non-Muhammadan): Sir, I rise to support the amendment moved by my Leader, Mr. Bhulabhai Desai; and, in doing so, I will not have any other consideration before me, but the only consideration whether this Trade Agreement has been in the interests of India or not. The Honourable the Commerce Member, in his speech, dwelt at great length upon the history which resulted in this Agreement. He said that the principle upon which this Agreement is based was being advocated since the year 1903, and it was on that principle and that principle alone that this Agreement has been made. Now, as far as the historical facts are concerned, I am one with the Honourable the Commerce Member. I admit these facts, but the question is: who wanted this principle to be accepted—the British Government and their agents, I mean, the Government of India, or the real representatives of the people of this land?

[Seth Govind Das.]

The principle of Imperial Preference on which this Agreement is based was being advocated since the year 1903 by the British Government and the Government of India; but, as far as we are concerned, as far as the representatives of the people of this land are concerned, as far as the commercial opinion of this country is concerned, we have all along been opposed to this principle of Imperial Preference. At the time when the protection was given to our steel and textile industry, we made it clear that though we were agreeing to give some preference, in return for the preference to our industries, it should not be presumed that we were accepting the principle of Imperial Preference. I admit that in the year 1903 the first effort was made. . . .

**Mr. M. S. Aney** (Berar Representative): Lord Curzon himself repudiated it.

**Seth Govind Das:** Yes, and, later on, the Fiscal Commission also opposed it. On page 132 of their report, the Commissioners clearly say that India cannot grant extensive preference without serious loss to herself. Therefore, as far as historical facts are concerned, I want to emphasise that we have all along been opposed to this principle of Imperial Preference.

The Honourable the Commerce Member said very little about the working of this Ottawa Agreement. He said that the whole thing should be referred to a Committee, and my Honourable friend, Mr. Gauba, also repeated the same thing. I think a weaker case was never placed before this House. Now, I wonder how the Honourable the Commerce Member says that the working of this pact has not been examined. The working of this Agreement has been examined by every commercial institution in this country, worth the name. Every Chamber of Commerce in this country has examined its working, not superficially, but in detail; will the Honourable the Commerce Member point out to me any one such institution which has not condemned the Agreement? It has been condemned by every institution which has anything to do with the commercial life of this country; and I do not see what useful purpose it will serve to appoint another Committee to examine this Agreement. The Honourable the Commerce Member shuddered to think as to what would happen to the trade of this land if this Ottawa Agreement was scrapped. Let me point out to him that the heavens are not going to fall. In his enthusiasm to support this Agreement, he altogether missed the point that the Agreement was more in favour of Great Britain. . . .

**Mr. N. V. Gadgil** (Bombay Central Division: Non-Muhammadan Rural): Entirely in favour.

**Seth Govind Das:** . . . was entirely in favour of Great Britain, as my friend, Mr. Gadgil, says. Here I wish to quote what the Right Honourable Mr. Thomas, Secretary of State for the Dominions, in his foreword to the *Imperial Trade Number* of the London Chamber of Commerce Journal of October, 1935, said. He says:

"The Ottawa Conference may, I think, be fairly claimed as having marked, not only the beginning of a new epoch in our trade relations with the other parts of the British Empire, but, the turn of tide so far as this country, Great Britain, is concerned. After a long period of acute trade depression, it is interesting to note that the value of our exports of domestic produce to the four dominions, that is, Canada, Australia, New Zealand and the Union of South Africa, and to India rose

From rather less than £99 millions in 1932 to something over £124 millions in 1934, and this at a time when values were on the whole declining rather than increasing".

And Colonel John Colville, Secretary of the Department of Overseas Trade, announced in the course of a speech that the United Kingdom exports to the Empire have increased by over £20 millions per annum in the two years following the Ottawa Agreement. I cannot understand, in view of these circumstances, why the Honourable the Commerce Member should be so anxious about retaining this Agreement and why he should alone think that if this Agreement is done away with, we are going to suffer. As the Honourable the Mover of the amendment said, when this is once terminated, then the time will come when we shall be in a position to negotiate fresh agreements which are in the interests of India, not only with the United Kingdom, but also with other countries.

Although the Honourable the Commerce Member did not say much about the working of this Ottawa Agreement, I want  
**3 P. M.** to examine its working. We find that this Agreement, since it has been entered into, has spoiled our trade relations with other countries, and this is proved by the fact that our imports from other countries than Great Britain have been falling, and falling to a very great extent. I do not want to tire the patience of the House by quoting many figures, because I see that only ten minutes are left to me. However, the following figures will show the relative percentage of imports into this country from various other countries:

*Figures giving relative percentage of imports into this country.*

Countries.	1931-32.	1934-35.
United Kingdom . . . . .	35.5	40.6
Japan . . . . .	2.6	15.7
Germany . . . . .	8.1	7.6
America . . . . .	10.2	6.4
Italy . . . . .	2.8	2.3
Kenya and Zanzibar . . . . .	2.9	2.4
Ceylon . . . . .	1.1	1
China . . . . .	2.2	1.6
Belgium . . . . .	2.4	1.6
Austria Hungary . . . . .	.6	.5
France . . . . .	1.7	1.2
Strait Settlements . . . . .	2.3	2.3
Java . . . . .	3.8	1.4

[Seth Govind Das.]

This, Sir, is the condition of the imports into this country. From this it will be quite clear that so far as the imports from other countries are concerned, they are diminishing. Now, what do we find as far as Japan is concerned? The imports from Japan have increased, and the reason is that we could conclude an agreement with the Japanese. If we had been in a position to enter into agreements with various other countries, we would have been able to buy more from them and also sell more to them, and the condition of our trade would not have been as bad as it is today.

Now, Sir, what do we find about the imports and exports from Great Britain after this Agreement was entered into? We find that imports from the United Kingdom into this country have considerably increased, while our exports to the United Kingdom have not increased to the same extent. The following figures will prove that fact also:

In 1931-32, the imports into this country from the United Kingdom were 45 crores, and exports were 45 crores.

In 1933-34, the imports were 48 crores, exports were 47 crores.

In 1934-35, the imports were 54 crores, and the exports were 48 crores.

These figures show that while their imports have increased by about nine crores, our exports have increased by only three crores. Before this Agreement was made, their imports into this country were gradually diminishing. That also we see from the following figures:

*Imports from the United Kingdom into India.*

1929-30	. . . . .	103 crores.
1930-31	. . . . .	61 ..
1931-32	. . . . .	45 ..

Now, Sir, we find that by this Agreement, Great Britain has achieved all that she wanted, while we could not achieve anything. Before this Agreement was made, we find that all along they were losing their markets. They have now been successful in establishing their markets again, while we have not been able to do so. I admit, Sir, that there has been some increase in our exports, but then this increase has not been due to the Ottawa Pact alone. If the preference owing to the Ottawa Pact had been responsible for bringing about an increase in our exports to the United Kingdom, how is it that there is a greater percentage of increase in non-preference goods as against a preference goods? Between 1932-33 and 1934-35, our export trade to the United Kingdom in preference goods increased from 29,73 lakhs to 36,71 lakhs, that is by about 24 per cent., whereas, our export trade to the United Kingdom in non-preference merchandise increased from 7,09 lakhs to 11,36 lakhs, that is by about 60 per cent. This shows clearly that it was not due to preference that our export trade has increased with the United Kingdom, but, due to several other reasons, and, secondly, even though we may welcome our exports to the United Kingdom in preference articles, we have to admit that the small increase of only about three crores has been mainly responsible for a loss of nearly rupees 20 crores worth of trade with other countries. It is pointed out that the fall in our exports to other countries was not due to the Ottawa preference, but due to certain independent and inevitable causes and that India should, on the contrary, thank England for filling up this deficiency. But if that was so, why was it that our exports to

other countries declined only in case of preference articles, and not in the case of non-preference goods? There was in fact an increase of about Rs. 950 lakhs in India's exports to other countries so far as non-preference goods were concerned. Thus, our exports to other countries than the United Kingdom fell by 20 crores in preference articles and rose by 9.5 crores in non-preference articles. This may be taken to be a conclusive evidence of the fact that the increase in our exports to the United Kingdom amounting to about three crores has been instrumental in diminishing our export trade to other countries by about rupees 20 crores.

Now, Sir, as far as India is concerned, we are exporting to non-Empire countries more than to Empire countries, and this will be clear from the following figures:

*Relative percentages of India's exports.*

Year.	Empire.	Non-Empire.
1931-32	44.2	55.8
1932-33	45.8	54.2
1933-34	46.2	53.8
1934-35	45.2	54.8

Therefore, Sir, we have to look forward for our exports to other countries, and this Ottawa Agreement is no doubt against our trade relations with other countries, and it has not given us any advantage which it professed to give at the time when it was made. As I pointed out in the beginning, I wish to deal with the question from one point of view alone, and that point of view is whether this Trade Agreement is in the interests of India or not. Now, we have seen that it is not to our advantage as far as the United Kingdom is concerned; it is not to our advantage as far as the other countries are concerned, and I don't see how it can be said that this Agreement should not be scrapped.

It was stated, Sir, that this House had accepted this Agreement in those days, but Government knows, and knows very well that in those days this House was not of a representative character. The people who were sent as our delegates were . . . . .

**Mr. Deputy President** (Mr. Akhil Chandra Datta): The Honourable Member's time is up.

**Seth Govind Das:** Only one minute more, Sir. The people who were sent there to negotiate the Ottawa Trade Agreement were not the real representatives of the people. They again stood for election, and their defeat shows clearly that they were not the real representatives of the people. Therefore, Sir, as far as this House is concerned, we cannot do better than ask the Government to bury this Trade Agreement and bury it as deep as possible, so that it may not have any chance of reappearance.

**Dr. P. N. Banerjee:** The question has been asked, who wanted the Ottawa Agreement? The answer is, not surely India, but Britain. And why did Britain want it? Because Britain is the land of a practical people, a people who are guided, not by sentiment, or theory, but by enlightened self-interest. In the 16th, 17th, and 18th centuries, Britain found that a protective policy suited her requirements, and she protected



[Dr. P. N. Banerjee.]

her interests against India and other countries. In the 19th century England found that free trade suited her better and she forced that policy on India. After the European War Britain found that a free trade policy was not quite adequate for her any longer and, therefore, she not only adopted a protective policy, but desired to enter into arrangements with India and the Dominions of the British Commonwealth of Nations. I do not wish to refer to the past; it would be better for us if we could forget the past and confine our attention to the present and the future. Nor should we at the present moment allow ourselves to be influenced by political views, although political economic questions are often very closely inter-related.

At the time of sending a Delegation to Ottawa, the Government of India stated definitely that they had no desire to put changes into effect unless the Legislature was satisfied that these were "in the interests of India". It is our duty now to examine the effects of this Agreement from this stand-point and none other, and for this purpose I shall apply a few simple tests.

A distinction was drawn in the report of the Indian Delegation between "Imperial Preference" and "reciprocal preference". But what is reciprocity? It implies equal economic advantage to both the parties to an agreement. If we apply this test to the Ottawa Agreement, what do we find? For the purpose of this examination, I shall confine myself to the official Report presented by the Director of Commercial Intelligence. It appears from Tables II and III of this Report that, while imports into the United Kingdom from India of articles enjoying preference increased from 28.6 million pounds in 1931 to 30.7 millions in 1934-35, that is to say, by 7½ per cent., imports into British India from the United Kingdom of articles enjoying preference increased from 12.6 crores to nearly 17 crores, that is to say, by 34 per cent. Where, then, is the *quid pro quo*—I ask. Evidently, the United Kingdom's gain from the preferential system was much greater than that of India. Now, it may be argued that this disparity in benefits was not due to the preferences given. In order to refute this argument, I would refer to Tables IV and V of the Report from which it will be found that, as regards articles not enjoying preference, the imports into the United Kingdom of Indian goods increased by 39.7 per cent. while imports into India of United Kingdom goods, not enjoying preference, increased by only 14.4 per cent. This indicates the normal trend of trade relations between the two countries. It also clearly proves that the increase in preferred imports into India from the United Kingdom was due mainly—if not wholly—to the preferences granted, but the increase of preferred exports to the United Kingdom from India was due, to a very large extent, to causes other than those relating to preferences, the limited field of available sources of supply, quality and price.

This brings me to the second test by which we may judge the Ottawa Agreement, namely, what would have been the consequences to India if she had not entered into the Agreement? For this purpose, let me compare—rather contrast—the increase in non-preferred imports into the United Kingdom from India with that in the preferred imports. The former, namely, the non-preferred imports from India, as I have already pointed out, increased by 39.7 per cent. while the latter, namely, the preferred imports, increased by only 7.5 per cent. This shows that the United Kingdom imported, irrespective of preferences, articles from India which

were necessary for her own requirements. This also shows that the argument that Indian exports to the United Kingdom would have suffered in the absence of any agreement is without any value. Now, let us look at the other side of the shield. The large increase of preferred imports into India from the United Kingdom (34 per cent.) as compared with the small increase (14.4 per cent.) of the non-preferred imports proves that, in the absence of a preferential agreement, India would have taken a smaller quantity of goods from Britain. Thus, on a balance, India would not have suffered any loss. It may be argued, as my Honourable friend, Sir Muhammad Zafrullah Khan, has argued, that, if India refuses in future to continue the Agreement, then Great Britain will retaliate against her and levy protective duties on her goods.

**The Honourable Sir Muhammad Zafrullah Khan:** I did not say, retaliate, but I said that the effect of it would automatically be that commodities and goods that are not mentioned in Schedule I to the Import Duties Act would become subject, under that Act, to the duties laid down in Schedule II.

**Dr. P. N. Banerjee:** I stand corrected. But such fear is groundless, for India's articles are required for Britain's consumption as food and as raw materials for industry, and it is not likely that Britain will be so foolish and perverse as to inflict a great injury on herself in order to have the pleasure of inflicting a much smaller injury on India.

The third test by which the Ottawa Agreement can be judged is, what is the amount of expansion that has taken place in the export trade of India? The official protagonists of the Agreement repeatedly assured the country that an expansion of trade would follow India's participation in the Ottawa Pact. Table I of the Official Report shows that the total value of India's exports to all countries of articles enjoying preference slightly increased in 1933-34 as compared with the total value in 1932-33, but in 1934-35—a full year in which the preferential system was at work—there was a definite set-back, the actual value being even less than that in the pre-preference year 1932-33. But the value of the export trade in articles enjoying preference to the United Kingdom improved substantially in 1933-34. This proves that, instead of there being an expansion in the export trade of India, there was a mere diversion of the course of this trade from non-Empire countries to the United Kingdom. I cannot regard this as a source of much satisfaction to India.

Now, this question of diversion of trade raises some very serious problems. Not only does it not indicate any net gain to India but it involves a two-fold danger to the country. In the first place, it tends to lead to a contraction of markets for Indian goods, not only for the present but also for the future. Secondly, by limiting competition among the buying countries for Indian goods it places India at a disadvantage as regards prices. Thus, the consequences of her increased dependence on one market may easily prove disastrous to India.

The fourth test is the effect of the Pact on non-Empire countries. The trade of India with non-Empire countries is of greater value and importance than the trade with the Empire countries. Her exports to non-Empire countries were worth 83 crores in 1934-35 as against 71 crores to Empire countries, while her imports from non-Empire countries amounted to Rs. 67 crores as against Rs. 65 from Empire countries. Now,

[Dr. P. N. Banerjea.]

the question is, can India afford to risk retaliation by non-Empire countries for the remote contingency of a very doubtful benefit arising from the preferential system at some distant date? I hope the answer of the House will be an emphatic 'No'. As British statesmen have repeatedly observed, trade is a matter of goodwill. The working of the Ottawa Pact, during the last two years, has already diminished the goodwill of non-Empire countries towards us as shown by their reduced purchases of Indian goods. Besides, it can hardly be regarded as natural that if India purchases less from non-Empire countries owing to the preferential system, they will purchase more from her.

This leads us to the fifth test, namely, the balance of trade. India's external obligations make it incumbent upon her to put forth her utmost effort to secure a substantially favourable balance of trade. Now, if we consider India's balance of trade with the United Kingdom, we find from Table VIII of the official Report that in 1933-34 there was an even balance, but in 1934-35 (a full year of the preferential system) the balance was adverse to India by five crores. As India's obligations are mainly to the United Kingdom, one would have naturally expected that the United Kingdom would ensure a favourable balance for India but the fact is just the reverse. India's favourable balance of trade with Empire countries, other than the United Kingdom, was 13 crores and six crores respectively in 1933-34 and 1934-35. She had a favourable balance of trade with non-Empire countries to the extent of 22 crores in 1933-34 but, unfortunately, it diminished to 16 crores in 1934-35. This discloses a very serious state of things. During the last five years, India has met her external obligations by exporting gold, but her stock of the yellow metal is not limitless. Therefore, unless India is able to secure a large trade balance in her favour she will be on the verge of bankruptcy and ruin. The Ottawa Pact has failed to give her this balance and India must now look to some other measures for the attainment of the object.

The sixth test is the effect of the Pact on public finance. It is a well-known fact that a reduction in the rate of an import duty causes a fall in the revenue, though not necessarily in exact proportion to the reduction. Under the Ottawa Pact the duty, on a large number of imported articles, has been reduced by ten per cent. Naturally, therefore, the annual revenue derived from these articles has been less than what it would have been if the reduction had not been made. It is difficult to estimate exactly the loss in revenue on this account; but roughly speaking, it may be said that the annual loss is not less than one crore of rupees a year.

The seventh or the last test is the effect of the Agreement on the industrial development of the country. On this question, it was observed in the official report for 1933-34:

"There is not much material available from which to arrive at any definite conclusion regarding the effect of the preferences on Indian industries as many of these industries are what may be termed 'small scale' without any organised association of establishments and it has not been possible to obtain much statistical material relating to their progress. The large industries in India are hardly affected by the scheme of preferences."

Now, Sir, I must say that these observations cannot be considered to be satisfactory. As preferences have been granted almost exclusively to the manufactured goods of the United Kingdom, the encouragement

given to certain classes of manufactures cannot fail to serve as a discouragement to the production of similar manufactures in the country. On the other hand, the preferences which India has received relate mostly to raw materials. The negotiators of the Ottawa Pact failed to take note of the important principle laid down by the Fiscal Commission, namely, that the "economic advantage derived from the preference tends to be more important in the case of manufactured goods than in the case of the raw materials". So far as the small and cottage industries are concerned, they were practically ignored in the framing of the scheme, with the result that only a few of them received some benefit while most of them were adversely affected. As instances, I may mention the case of the bell-metal industry and toilet requisites.

I may be permitted to draw the attention of the House to two other defects of the Ottawa Agreement. In the first place, it is a multi-lateral arrangement and as such it involves considerable complexity in regard to its effect on different parties.

**Mr. Deputy President** (Mr. Akhil Chandra Datta): The Honourable Member has got one minute more.

**Dr. P. N. Banerjee:** I would ask for some slight extension of time, and I assure you I will not be irrelevant.

Secondly, under this arrangement uniform rates of duty are levied without taking into detailed consideration the special requirements or difficulties of the trade in different articles. What is needed in these days of economic nationalism is, that India should conclude bilateral treaties with different countries bearing fully in mind the needs of the country not only with reference to her raw materials but also her finished goods manufactured on a small as well as on a large scale.

Sir, the time at my disposal will not permit me to enter into a detailed examination of various articles; but if it were possible, I would be able to show that the conclusions would be the same as those already arrived at, namely, that the loss to India has outweighed the gain, and that, therefore, there is no justification for continuing the present arrangement. My authority for holding this view is the official report itself prepared by my Honourable friend, Dr. Matthai, whom I am glad to see here this afternoon.

Sir, one word more before I conclude my observations. The Director of Public Information has, in a series of articles, attempted to carry on a sort of propaganda in favour of the Ottawa Pact. I shall not like to go into these articles, but I cannot help remarking that the method of treatment adopted by him is extremely partial and that he has sought to cloud the issues by throwing a smoke-screen on the whole subject. I am glad, however, that the Government have thought fit to place before us an additional book containing up-to-date statistics and I congratulate them on their enterprise. But if we go into these figures, we find that the results are practically the same. No other conclusions are possible.

**Mr. Deputy President** (Mr. Akhil Chandra Datta): The Honourable Member has one minute more.

**Dr. P. N. Banerjea:** Sir, I would urge this House, as the custodian of the economic interests of the country, to accept the amendment moved by the Honourable the Leader of the Opposition. I desire, however, to make it clear that our trade relations with the United Kingdom are of the utmost importance at the present moment and are likely to continue to be so for a long time to come. But it is also necessary that India should conclude trade treaties with other countries, such as France, Germany and the United States. I wish to lay particular stress on the desirability of concluding a trade treaty with the last-named country, for the United States has consistently imported more from us than she has exported to us, and because it is a fact that the United States is not merely a manufacturing country but is also an agricultural country. Various difficulties and complexities arise in entering into agreements with countries outside the United Kingdom so long as the Ottawa Pact remains in force. It is for this purpose and not for the purpose of showing any ill-will to Britain that I urge the Ottawa Agreement be terminated and a fresh agreement, if possible, be entered into with Britain after a careful examination of the needs of the two countries. (Applause.)

**Dr. John Matthai** (Government of India: Nominated Official): <sup>1110</sup>Mr. Deputy President, one of the rather unfortunate features of the Ottawa dispute, particularly in the stage which it has now reached in this country, is the way in which the fairly simple and straightforward issues, that are involved in it, have been obscured and distorted by the enormous mass of highly emotional literature that has gathered around it. (~~Hear, hear~~) Those of us who have tried to follow the history of parliamentary controversies in England, particularly in the hectic days of party government, will remember that there were two questions which used frequently to come up for discussion, both of which were questions which lent themselves admirably to discussion on a rational basis, but upon which, for some queer and incomprehensible reason, those who took part in them appeared to do almost nothing but emotionalize. One of these questions was temperance, and the other was tariffs. Now, Sir, this question of Ottawa is essentially a question of tariffs and I cannot help feeling, whenever I examine the literature which has accumulated on it, that the main-spring of a good deal of the controversy is not a reasoned examination of facts but, if I may say so, a somewhat mis-directed enthusiasm for certain irrelevant causes.

Now, Sir, I think that probably the most satisfactory way of dealing with these questions, particularly with reference to the motion which is now under consideration, is to try and ascertain what precisely is the scope and purpose of the Agreement which was concluded at Ottawa. I do not believe it is possible to arrive at anything like a reasonable conclusion on this question unless we have a fairly clear idea of the scope of the Agreement which was inaugurated at Ottawa. As I look at it, what they attempted to do, in this Agreement, was to try and preserve, and if possible to stimulate, empire trade, at a time when all the forces that were working upon international trade were making in the direction of a continued and perceptible shrinkage in trade. At a time when the whole world seemed to be influenced by forces working in that direction, people who represented the countries included in this Agreement came together and addressed to themselves this question: "In the midst of this general cataciysm, are there any means by which, so far as the

countries which we represent are concerned, we could try and preserve and if possible to increase such part of the trade as exists between our countries?" Well, unless we keep this aspect of the case clearly in mind, it seems to me we shall never reach a satisfactory and reasonable conclusion upon this question. Now, Sir, the scope of this Agreement, in the first place, is confined to certain specified countries. That is perfectly obvious. The scope of it is confined also to a certain group of articles; it does not cover the whole range of the articles, entering into the trade of the United Kingdom or of India. It relates only to a certain group of articles. I admit it is a large group, but it is a definite group of articles which we, in this discussion, have described generally as preferential articles. As my Honourable friend, Mr. Gauba, pointed out, as far as the question of consultation with a view to renewal as against denunciation is concerned, the issue is this. Is it possible to make out a *prima facie* case that this particular objective of the Ottawa Agreement has been to a reasonable extent fulfilled? If a *prima facie* case can be made out that, consistently with the limited scope of the Agreement, a reasonable measure of success has been achieved, then, I submit to the House, with very great respect, that the case for denunciation vanishes into thin air. If there is a *prima facie* case that a fair measure of success has been achieved by the Ottawa Agreement with reference to the limited scope of that agreement, then it seems to me that the bottom is knocked out of the motion for denunciation. It is from that point of view that I propose to approach this question.

Now, the first fact, to which I would like to invite the attention of the House, is this. If you examine the figures relating to our export trade, in the articles covered by the Ottawa Agreement, to the countries included in that Agreement, you will find that since the Agreement was concluded, there has been a perceptible increase in our trade. Our export trade in the preferential articles to the United Kingdom during the period covered by the Ottawa Agreement shows a perceptible increase. Now, Sir, I do not for a moment suggest that that fact by itself is decisive. (Hear, hear.) Whether it is or not, that ought to be the starting point for our consideration of the case. The increase in our export trade to the United Kingdom in preferential articles offers a first indication that the Agreement has worked on the whole in the right direction. But, as I say, it is not itself a decisive factor. That question has got to be considered in relation to the various limiting and qualifying considerations which Honourable Members during the course of the debate have pointed out. The Honourable the Leader of the Opposition made the point that although our figures might show an increase in our export trade in preferential articles, the United Kingdom, on the whole, has benefited more than India. I do not profess to be able to offer a complete statistical demonstration with regard to this question. It is not a question on which it is possible to get complete statistical information. There are various uncertain factors which would invalidate any conclusion we might reach. All that we can do is to offer indications. My Honourable friend, Dr. Banerjee, tried to contest the point that we have benefited equally with the United Kingdom on the basis of percentages. From a fairly long experience of statistical work, both academical and in relation to practical fields, I have reached a stage where I regard percentages with extreme suspicion. —> —>

**Dr. P. N. Banerjee:** Then do not publish such statistics at all.

**Dr. John Matthai:** I think I would rather build my case on absolute values than on percentages. If you take the last year for which we have complete figures, the year 1934-35, and compare the figures with those for the year just previous to the inauguration of the Ottawa Agreement, I think, on the whole, the indications are that such advantages as have proceeded from the Ottawa Agreement, in regard to the preferential articles, have been divided almost equally between India and the United Kingdom. There is one factor with regard to that question which I think it is very important to remember. It must be remembered that for a period ranging almost up to eight months previous to our acceptance of the Ottawa Agreement, we had begun to get the benefit of preferential duties in the United Kingdom on our exports. If you make allowance for that, I think you will find the figures will indicate that the advantages are almost evenly divided. Now, that is one way of looking at, and I should like to suggest another way of examining it. As far as our exports to other countries are concerned, the preferential articles cover about 60 to 65 per cent. of our total exports to other countries. On the other hand if you take the imports into this country from other countries, the articles to which the Ottawa Agreement relates, cover also about 60 to 65 per cent. of the total trade, so that the proportion of preferential articles in the export trade and the import trade is roughly, the same. That apparently provided those who planned the Ottawa Agreement with a rough basis for adjusting the different interests.

**Dr. P. N. Banerjea:** Are not circumstances different now?

[At this stage, Mr. President (The Honourable Sir Abdur Rahim) resumed the Chair.]

**Dr. John Matthai:** If you are going to consider this Agreement in a proper perspective, you ought really to look at it in relation to the circumstances when the Agreement was planned and inaugurated. To try and read the facts of three years hence into the minds of people who were trying to organise this arrangement in 1932 is not fair criticism.

**Mr. B. Das:** All of them have left the Assembly except our Honourable friend, Seth Haji Abdoola Haroon!

**Dr. John Matthai:** There was another point which has been referred to more than once in this House, and that is the vexed question of diversion.

**Mr. M. A. Jinnah:** Do I understand the Honourable Member to ask me to judge this Agreement having regard to the time when it was arrived at, irrespective of the last three years?

**Dr. John Matthai:** In view of my Honourable friend's question, I hope the House will allow me to explain it a little further. I am trying at present to prove whether, on the actual results achieved over a period of three years, a fair balance of interests has been secured. I started by saying that on statistical evidence it would be almost impossible to measure it with accuracy. But such indications as we have do show that even with regard to the actual results of the working of the Agreement for the period of three years, a fairly satisfactory balance has been

secured between the interests of India and the United Kingdom; that is to say, if you look at it with reference to the limited scope of this Agreement. I was going to enforce that argument by a reference to the psychology of those who tried to plan this Agreement, as far as you could understand it, in relation to the circumstances of 1932. I hope I have satisfied my Honourable friend, Mr. Jinnah.

**Mr. M. A. Jinnah:** Not quite. My question was, what is the opinion now of the Honourable Member about this Agreement, today?

**Dr. John Matthai:** My opinion is that, as far as trade in the articles covered by the Ottawa Agreement is concerned, there is on the whole a certain even balance of interests between India and the United Kingdom. I do contest the proposition,—I think there is sufficient evidence for definitely contesting the proposition,—that the United Kingdom has benefited far more than we have by this arrangement.

—> Now, with regard to this question of diversion, a good deal has been said about diversion. The point, as the House will realise, is this. If we have increased our trade to the United Kingdom in preferential articles, and at the same time there has been a decline in our trade in preferential articles to other countries, then the inference is drawn that what we have gained in our trade to the United Kingdom is something which we have directly lost in relation to our trade to other countries. What we have gained in our trade to the United Kingdom is simply a diversion of the trade that used to prevail between this country and other countries. Here, again, Sir, if I may say so, there is a good deal of confusion of thought. There is a dilemma which presents itself quite frequently in the discussions of people who use this particular argument of diversion. If you take the particular articles included in the Ottawa Agreement, and you find our trade in that article to the United Kingdom has increased, and at the same time our trade in that article with foreign countries has also increased, then of course it is no diversion. But the argument is suggested at once that the real cause of the increase in the trade is not preference but some other cause because, there is an increase of trade in preferential articles not merely with the United Kingdom with whom we have preferential arrangement but also with other countries. Then, if there is an increase in our trade in that particular article to the United Kingdom, but there is a decline of our trade in that article with foreign countries, then you say it is diversion. If it is one way, it is diversion; if it is the other way, it is a question of preference not being effective. Personally, I think, the correct position to take in regard to diversion is this. And there again I should like to go back to the circumstances of 1932. The House will remember that there was no time during the past five or six years when the outlook of trade was quite so uncertain and quite so hopeless as it was in the early years of 1932. It seemed almost inevitable in the early years of 1932 that there would be a decline in world trade. The Ottawa Agreement was an arrangement intended to preserve, and, if possible, to increase, the trade between the constituent countries of the Empire in face of the general forces affecting world trade in a downward direction. Inevitably, after a period of two or three or four years, you would find that the trade of those countries, in respect of which our trade was not sheltered by a preferential arrangement, had shown a decline. Now, I really think that this argument of diversion has very little substance in fact. Now that I am on this question, I should



[Dr. John Matthai.]

like to point out, apart from this general consideration, that there are some very important articles included in the Ottawa Agreement in respect of which the charge of diversion cannot stand. You take an article like linseed. We have increased our trade to the United Kingdom, we have also increased our trade with the other countries. Take a thing like woollen carpets and rugs,—a very important article. We have increased our trade with the United Kingdom, we have also increased our trade with other countries. Take another important article,—tanned skins. The same thing holds; we have increased our trade both with the United Kingdom and with the other countries.

**Babu Baijnath Bajoria** (Marwari Association: Indian Commerce): Has not the trade in linseed increased due to bad crop in the Argentine?

**Dr. John Matthai:** The question of what has happened in respect of individual crops is a big question which I hope some Honourable Members on these Benches will deal with later. I admit that the Argentine crop has been one of the influences, but I do not admit that preference has not been an influence. In fact, during this time, when various kinds of influences have been at work in the field of international trade, you cannot isolate one influence from the others and say that the result is due to this particular influence. The only sensible course to adopt is to take the result as a joint product of various influences working in the same direction.

There is another argument which was used in the course of the debate as one that invalidates the case for the Ottawa Agreement, and that is that while it is true that our trade in preferential articles to the United Kingdom has increased, our trade in non-preferential articles to the United Kingdom has increased at the same time. The suggestion, therefore, is that some other cause has been at work which has been the really effective cause. If you examine generally the articles which are included in the Ottawa Agreement, articles that is to say to which these preferential tariff arrangements apply, and contrast them with the articles which are outside the scope of the Agreement to which the preferential tariffs do not apply, there is a certain broad distinction which I personally consider to be valid. That distinction is that the preferential tariff arrangements apply to commodities in regard to which India's competitive position is fairly weak. The articles which are left outside the preferential tariff arrangements are articles in regard to which our competitive position is fairly strong. If you look at articles, for example, like linseed, groundnut, manufactured jute, tea, you will find almost in every case that India is up against very severe competition. Take the most important articles which are outside the scope of the Agreement—I am speaking for the moment in the sense of the articles to which preferential tariffs do not apply. Take raw cotton and raw jute. In regard to raw jute, it is fairly obvious that our position at present is strong. With regard to raw cotton—the particular kind of cotton that we export, our position is not so strong as in the case of jute. But our position is stronger than in regard to those articles which are included in the Ottawa Agreement. There is one fact that we have got to remember with regard to raw cotton, namely, that although it is true that it is outside the scope of the preferential tariff arrangements, it is an article in regard to which we have, what I might call, a preference by understanding; and that to some extent explains the increase in our

trade in non-preferential articles to the United Kingdom. I suggest, therefore, that the fact that our trade in non-preferential articles to the United Kingdom has increased during this period does not invalidate the case for the Ottawa Agreement.

Now, I come to a fourth factor which has been referred to a good deal, both on the floor of this House and in controversies outside the country, and that is the question of our balance of trade. During the years that the Ottawa Agreement has been working, it is suggested that our balance of trade has seriously declined, and that decline is alleged to be a direct result of the working of the Agreement. In the first place, I would like to point out that it is not true that our balance of trade in 1934-35 has declined as compared with the initial year of this period 1932-33. Our balance of trade has increased.

**Dr. P. N. Banerjea:** With regard to England?

**Dr. John Matthai:** The point which has been raised over and over again is that our total balance of trade has perceptibly declined during the period during which the Ottawa Agreement has been in operation. As the House well knows, the question of balance of trade has no particular significance as between one individual country and another individual country. The question of the balance of trade is important as between one country and the whole of the rest of the world. Therefore, . .

**Mr. M. A. Jinnah:** That is going too far.

**Dr. John Matthai:** . . . what you have to do is to consider the total balance of trade in India during this period. If you look at the question from that point of view, it seems to me that on the figures available there is no case for the suggestion that our balance of trade has declined. But I would like, in this connection, to raise a very important general consideration. After all, when we speak of the balance of trade, we are thinking not merely of quantities of trade, we are thinking also of the values of trade. The factor of price is a very important consideration when you are thinking of the balance of trade—it is a matter of cash. If you take the period since the big depression started and make allowance for the extent to which irrespective of any reduction in the quantum of trade there has been a reduction in the prices of articles entering into India, I venture to suggest that you would reach a money figure not very different from the present figure of our balance of trade. There are two factors: in the first place, there is the general fall in prices which is very considerable.

**Dr. P. N. Banerjea:** In 1934-35?

**Dr. John Matthai:** No, as far as 1934-35 is concerned, as compared with 1932-33. If you take those two years, the last year for which you have complete figures and the initial year of the period of the Agreement, you will find that there has been no decline. What I am trying to suggest is, suppose there was a decline or suppose you wanted to extend the field of your investigation over a longer period than that, then there is this general consideration which is of vital importance. In the first place, there has been a substantial general fall in prices; on top of that,

[Dr. John Matthai.]

the fall in agricultural prices has been much greater than the fall in industrial prices. All our exports, or the bulk of our exports, are agricultural products. The fall in the prices of our exports has been much greater than the fall in the prices of our imports. If you add that factor to the factor of the general fall in prices, I think you will very nearly explain the decline in our balance of trade.

**Mr. President** (The Honourable Sir Abdur Rahim): The Honourable Member has already taken more than half an hour.

**Dr. John Matthai**: I will finish in a few minutes, Sir. There is the other question of trade restrictions. I do not propose to deal with it as the Honourable the Commerce Member has already dealt with it.

There is just one point which I wish to make before I sit down. If it is established that a *prima facie* case exists that the Ottawa Agreement, considered with reference to the limited scope of the Agreement, has met with a fair and reasonable measure of success, then I submit to the House that there is no case for denunciation. In addition to that, I want to suggest one or two facts. I have had a fairly long experience of the working of tariffs in this country, and if there is one fact which has come home to me more than another, it is that constant changes in tariff arrangements can cause serious dislocation to the course of trade. Now, suppose you denounce this Agreement altogether (Interruptions from Honourable Members),—an agreement which covers the greater part of our external trade—the dislocation that would be caused to trade and business would be fairly serious.

There is another point which probably is of greater importance. This is after all a bilateral arrangement, between us and the United Kingdom. A unilateral cancellation of an Agreement which is really a bilateral Agreement is not a circumstance which will make for that kind of goodwill and mutual friendship which is of the essence of successful negotiation in regard to trade agreements. My Honourable friend, the Leader of the Opposition, this morning made great play with the fact that the United Kingdom so far has not given notice of denunciation. The conclusion that he tried to draw from that circumstance was that the United Kingdom realised that this Agreement benefited her more than it has benefited us, that they have done themselves well out of it. I suggest very respectfully that the real inference to be drawn from that fact is this: that people at that end have a better idea of what is required of business people under circumstances of this kind than, unfortunately, we seem to have at this end. Now, as far as I have been able to study the reports of the working of the Ottawa Agreement, in various parts of the Empire, I cannot think of any country included in the Empire in which there has not been expression of very considerable dissatisfaction, but so far as I know—I am not in a position to judge what may happen tomorrow—but so far as I know the position today is, we are the only people who are speaking of formal denunciation.

**Mr. M. A. Jinnah**: The other Agreements are fixed for a certain period. Next year, they all expire. You cannot terminate when it is for five years.

**Dr. John Matthai:** The point seems to be this: over a period of three years complete investigations have been carried on in several countries which are participants in the Ottawa Agreement. The Honourable Member will find that in most of these reports there are very definite conclusions which have been reached: but whatever the conclusions are, and however strongly the conclusions are framed, there has been no reference to formal denunciation.

**Mr. M. A. Jinnah:** Yes, there is.

**Dr. G. V. Deshmukh** (Bombay City: Non-Muhammadan Urban): What about Canada and the United States?

**Mr. M. A. Jinnah:** I may inform the Honourable Member that very recently, in the House of Commons, an answer was given by the Government that the whole of the Ottawa Agreement will be reviewed very soon.

**Dr. John Matthai:** Review is not denunciation.

**Mr. M. A. Jinnah:** You cannot review unless you terminate.

**Dr. John Matthai:** The motion before the House is for the appointment of a Committee for precisely this purpose—to review the working of the Ottawa Agreement. I do not want to detain the House. I have already exceeded my time-limit. All that I want to say in conclusion is this: that if there is any force in the proposition which I have tried to place before the House that there is a *prima facie* case that the Ottawa Agreement has met with reasonable success, then I am entitled to ask the House to pause and think, and think a great deal before they take the extreme step of rejecting it outright. (Applause.)

**Mr. Abdul Matin Chaudhury** (Assam: Muhammadan): Sir, I happen to be one of those very few Members of this Assembly who were present when the Ottawa Agreement was accepted by this House. As I listened to the speech of the Honourable the Commerce Member this morning. I was reminded of the debate on the previous occasion. Today, Sir Muhammad Zafrullah Khan, the Honourable the Commerce Member, initiated the debate in a tone of subdued enthusiasm. But I well remember that on the previous occasion, Sir Joseph Bhowe, Sir Shanmukham Chetty and other supporters of the Agreement vied with one another in painting in glowing colours the bright future that was awaiting India, the enormous expansion in export and the increase in production that will follow from the ratification of this Agreement . . .

**The Honourable Sir Muhammad Zafrullah Khan:** That may be due to a difference of temperament.

**Mr. Abdul Matin Chaudhury:** Today, the official reports tell a different tale. Today the rosy picture has faded. We do not hear now so much about the expansion of export as about the shrinkage of exports; and the arguments on which the Ottawa Agreement was defended on that occasion were based mostly on conjectures and expectations. But the experience of the last few years has shown that those expectations have not been realised and those prophecies have not been fulfilled. In the light of the experience of the past few years, it is time now that we decided to terminate this Agreement.

[Mr. Abdul Matin Chaudhury.]

Honourable Members have discussed this Agreement from different standpoints. Personally I would like to take the line adopted by Sir Joseph Bhore in his advocacy of the Agreement. Sir Joseph Bhore selected some typical commodities and he argued how preference given by the United Kingdom would benefit substantially the export trade in those commodities. I shall take some of them, one by one, and I shall try to show how those expectations have proved entirely illusory. I will take first the case of tea. Sir Joseph Bhore referred to this commodity as our largest single item of export to the United Kingdom, amounting, in that particular year, to the value of £20 millions or about Rs. 23 crores. In one of the very eloquent and moving passages in his speech, Sir Joseph Bhore explained that unless preference was granted by the United Kingdom, because of competition from Java and Ceylon, a large portion—three-quarter million acres of tea land would have to be closed down which would be little less than a disaster to the country. Sir Shanmukham Chetty also emphasised the importance of this commodity in any scheme of preference; and from the speech of these two eminent supporters of the Agreement, the House was led to believe . . . .

**Mr. M. S. Aney:** Misled!

**Mr. Abdul Matin Chaudhury:** My Honourable friend, Mr. Aney, says "misled"—that the entire industry will be threatened with ruin unless preference was granted by the United Kingdom to this commodity, tea. Now, every one acquainted with the conditions of the tea industry—and I am sure my Honourable friend, Mr. Milligan, will agree with me—knows that the problem with which the tea industry is faced is not competition from Java or Ceylon: in fact, if I am correct, I think Ceylon has not ratified the Ottawa Agreement and the . . . . .

**The Honourable Sir Muhammad Zafrullah Khan:** Ceylon enjoys the preference of 2d. per pound along with Indian tea already.

**Mr. Abdul Matin Chaudhury:** My point is that both Ceylon and Java tea have entered into the co-operative restriction scheme according to which this competition has been entirely eliminated from those two countries. And the problem with which the tea industry is faced today is not the problem of competition from Java and Ceylon, but the problem is how to find fresh markets, how to create a bigger demand, a bigger market for the industry as a whole. All this talk about competition is merely a clap-trap to catch votes in this Assembly. Sir, this is what the Government Report itself says about the effect of preference on the tea industry:

"The preference on tea was considered of great importance by the Indian delegation, and by a majority of the Special Committee of the Legislative Assembly in 1932".—*Mark these words please*—"The effects of the preference have been completely obscured by the introduction of the Tea Exports Restriction Scheme which came into operation during 1933. The object of the preference was clearly to increase or at least to maintain the United Kingdom market for Indian tea by making competition from Non-Empire producers more difficult. The object of the Restriction Scheme, as the name suggests, was to restrict the export of tea, by arrangement arrived at by chief producing countries, both export and extension of production of tea was regulated. The tea industry, therefore, is now working almost entirely under regulation. The result has been that the benefit of preference"—*I want the House to mark these words again*—"the result has been that the benefit of preference in extending the export market as well as in increasing production could not operate".

**Seth Haji Abdoola Haroon** (Sind: Muhammadan Rural): What are the guarantees for this?

**Mr. Abdul Matin Chaudhury**: We are considering whether, during the past three years, the tea industry has benefited because of this preference to the extent that it was predicted, and I maintain that it has not.

**The Honourable Sir Muhammad Zafrullah Khan**: You have obtained a better price than you would have obtained.

**Mr. Abdul Matin Chaudhury**: Is it because of preference, Sir?

**Sir Cowasji Jehangir** (Bombay City: Non-Muhammadan Urban): Compared with Java tea, will you not admit that the Indian tea gets more?

**Mr. Abdul Matin Chaudhury**: No, Sir. They have entered into an agreement according to which they cannot export more than a certain quantity . . . . .

**Mr. President** (The Honourable Sir Abdur Rahim): The Honourable Member should not carry on conversations like that.

**Mr. Abdul Matin Chaudhury**: My point is that on tea, which represented twenty million out of 44 million worth of preference goods, the effect of preference has been entirely *nil*.

Now, Sir, from tea I next come to coffee. The trade delegation that was sent out to Ottawa said in their Report that the preference of 9s. 4d. per cwt. given by the United Kingdom will lead to an increased consumption of coffee in the United Kingdom, and my Honourable friend, Dr. DeSouza, whose opinion is always listened to with respect and attention in this House, also corroborated that statement. But, Sir, before two years had passed, Dr. DeSouza had to revise his opinion. And in the Report of the Committee that was appointed to inquire into the working of the Ottawa Agreement, in his minute of dissent, Dr. DeSouza has pointed out that this preference has been of no benefit to India. Instead of an increase, Sir, there has been a set-back in the trade in coffee. I will give the House a few figures. In 1932, India exported to the United Kingdom 50,000 cwts. of coffee. In 1933, it fell to 45,000 cwts. and in 1935 it has come down to 36,000 cwts. of coffee, which shows that there has been a fall from 50,000 cwts. to 36,000 cwts. and that only corroborates the statement of Dr. DeSouza that this Agreement has been of no benefit to India at all.

Then another article, about which a great stress was laid during the Assembly debate on the last occasion, was linseed. Sir Joseph Bhore pointed out that in the year 1913-14, the acreage under cultivation of linseed was in the neighbourhood of five million acres, and in the year 1931-32 it was about three million acres, and he said that, if, as a result of preference, one more million acres of land came under cultivation for growing linseed and the cultivators made a profit at the rate of Rs. 10 per acre, one crore of rupees would come into the pockets of the Indian cultivator. That was the argument advanced by Sir Joseph Bhore. But,

[Mr. Abdul Matin Chaudhury.]

Sir, what has happened since? What has been the increase of linseed cultivation during all these years? Here are the figures:

Year.	Acreage under cultivation.
1931-32 . . . . .	3,309,000 acres.
1932-33 : . . . . .	3,299,000 ..
1933-34 . . . . .	3,257,000 ..
1934-35 . . . . .	3,381,022 ..

Sir, the increase of a million acres and the expectation of a crore of rupees coming into the pockets of the Indian ryots, are still in the dream-land, and none of the expectations have been fulfilled. These were the grounds on which we were asked to accept the Agreement, and I am just going to show to the House that the expectations that were then held out have not been realised.

Now, Sir, about the export of linseed, of course it is true that in the year 1933-34, there was a considerable increase in the export of linseed to the United Kingdom. It rose from 9,000 tons to 140,000 tons, but that was due to the failure of the crop in Argentine. Even the Government Report says that. What the position would have been had Argentine had a good crop, it is difficult to say. Then again, this increase of export in linseed was not peculiar to the United Kingdom alone. In that year Netherlands, which in 1932-33 took only two hundred tons, in 1933-34 took 3,984 tons; Belgium which imported in the previous year 345 tons increased it to 10,204 tons, and some of the unspecified countries increased their import from 1,611 tons to 104,825 tons. I am quoting these figures merely to show that this increase, in that particular year, in the export to the United Kingdom was not due to preference, because there had been proportionately greater increase in export to the countries which granted no preference. !

Another article of which a good deal was said on that occasion was vegetable oil. Both Sir Joseph B'hore and Sir Shanmukham Chetty in their speeches specifically referred to this article, I mean linseed oil. Sir Shanmukham Chetty said:

"Here is a British market of £9 millions sterling, and with 15 per cent. preference, India ought to capture that market".

Let us see how far we have succeeded in capturing that nine million sterling market with the help of the 15 per cent. preference. Among the vegetable oils, the most important is the linseed oil. In the year 1932-33, India exported 1,477,000 gallons to the United Kingdom, in 1934-35 it decreased to 743,000 gallons, and the share of trade with the countries granting preference decreased from 65 per cent. in 1932-33 to 41 per cent. in 1934-35. Even the Assembly Committee, which included Sir Joseph B'hore and Sir Frank Noyce as members, came to the conclusion that, so far as vegetable oil was concerned, preference had been of no benefit to India. Among the vegetable oils is also included castor oil. The same Assembly Committee said that they could not definitely say whether there had been any benefit to India. Same was the case with cocoanut oil.

**The Honourable Sir Frank Noyce** (Member for Industries and Labour): That shows the fairness with which we examined the question.

**Mr. Abdul Matin Chaudhury:** I have never in my life doubted the fairness of Sir Frank Noyce. (Hear, hear.) I was talking about cocoanut oil. As regards rape-seed oil, the share of the trade with the countries, granting preference represented in 1932-33 45 per cent. of the total trade. In 1934-35, it decreased to 21 per cent. That is how we are capturing the nine million worth of British market of vegetable oil, with the aid of 15 per cent. preference! I am very glad to see Sir Bryce Burt here once again. On the last occasion also he was brought here to explain to the House the effect of the Ottawa Agreement on agriculturists in India. He told a very credulous House that when the irrigated area in Sind and the canal areas in the Punjab were fully developed, India would have an exportable surplus of one million tons of wheat, and, with four annas preference per maund, it would be in a position to compete with Australia and with Canada. Now, I would just read out what the Government report says with regard to wheat. We were told that we would be in a position to compete with Canada and Australia with our surplus of one million tons of wheat, with a four annas preference per maund of wheat. After three years working of that Agreement, this is what the Government report says with regard to wheat:

"Preference has been of little value to India, owing to her special wheat position. The Crop Planning Conference in 1934 came to the conclusion that India would not be in a position to export any appreciable quantity of wheat during the next few years. In the circumstances, the value of preference is entirely problematic".

**Mr. President** (The Honourable Sir Abdur Rahim): The Honourable Member has two minutes more.

**Mr. Abdul Matin Chaudhury:** I have dealt with some of the commodities to which specific reference was made by the supporters of the Agreement, and I have tried to show that in most of the cases expectation has not been realised, and that the prophecies have not been fulfilled. It is quite true that in the case of certain commodities which enjoy preference in the United Kingdom—in the export of those commodities there has been an increase, but it is equally true, a fact to which Dr. Matthai referred but did not explain, that the export of articles not enjoying preference have increased in far greater proportion. But, apart from that, the most serious aspect of the question is that the articles on which preference has been granted to the United Kingdom show alarming decline in our trade with other countries. In the year 1930-31 we exported to foreign countries commodities, which enjoy preference in the United Kingdom, to the extent of 105 crores, next year it came down to 77 crores, next year to 65 crores, next year to 62 crores, and in the present year it has come down to 57 crores. This may or may not be due to the reaction of Ottawa. But other countries can hardly be expected to take our goods when we go out of our way to discriminate against them. This brings me, Sir, to the question of our trade relations with the other countries. As a result of this Ottawa Agreement, and the preference granted by India to the United Kingdom, England has been able to increase its hold on the Indian market, and to the extent that England has been able to increase its hold, the business of foreign competitors has suffered contraction. If we diminish our purchases from these foreign countries, they will naturally purchase from those countries which not only sell to them but buy from them in return. If we are to carry on our trade with these countries, it must be, to a large extent, in exchange for goods bought from them. The



[Mr. Abdul Matin Chaudhury.]

United States of America, France, Germany, Japan, were amongst our best customers and the aggregate value of our trade with them was greater than that of our trade with the United Kingdom.

**The Honourable Sir Muhammad Zafrullah Khan:** Which countries?

**Mr. Abdul Matin Chaudhury:** With the United States of America, Germany, Japan—all foreign countries. Most of these countries have imposed restrictions on trade with India. This, again, I say, may not be due to the Ottawa Agreement, but still my point is, that we are not in a position, having given all the preference to the United Kingdom—we are not in a position to bargain with those countries.

**Mr. President** (The Honourable Sir Abdur Rahim): The Honourable Member's time is up.

**Mr. Abdul Matin Chaudhury:** On these grounds, I support the amendment moved by my Honourable friend, Mr. Jinnah.

**Seth Haji Abdoola Haroon:** Sir, I have been hearing from this morning different speeches from different sides. I do not know what are the difficulties which this side of the House feels in appointing a Committee to go through and examine all the figures which have been produced, not only by the Government, but by different mercantile associations in the country. At present, everybody is giving his opinion in his own way. I cannot understand the attitude of the Opposition in refusing to sit across the table and discussing all aspects of the Ottawa Pact. I know there were many Members against the Pact at the time it was entered into. My friend, Dr. Ziauddin Ahmad, was also against it. Sir Hari Singh Gour and many others were against the Ottawa Pact. My friend, Mr. B. Das, was also against it.

**Mr. B. Das:** I am still against it.

**Seth Haji Abdoola Haroon:** You may be, but I am talking of other people also. At that time, we met in committee and asked great economists and mercantile representatives as well as big people to come and give their views before the Committee, and those representatives came. The Committee sat for not less than 15 days continuously, and, on account of that meeting, the Committee brought this report which was passed by the House with a thumping majority. If you take out the Government Members, you will find that there was also a large number of elected Members.

**An Honourable Member:** How many of them were re-elected?

**Seth Haji Abdoola Haroon:** If you go and look at the proceedings, you will see that the Pact was approved of and passed by a large majority of elected Members. I do not want to go into each and every item like my friend, Mr. Abdul Matin Chaudhury. Of course, my friend, Seth Govind Das, said that some people were defeated, but fortunately I have not been so, because I have done services to my province and also the Punjab by giving preference to their articles in foreign countries.

I shall now take the figures supplied, not by Government, but by the Committee of the Federation of Indian Chambers. They are opposing the Ottawa Pact. I am referring to pages 8 and 9 of the Federation report. In Table No. I, they show the total imports excluding Treasury and some other things. I do not want to go into every figure, because I have very limited time. You will find that the imports into India in 1929-30 from Empire countries were 124 crores, whereas, in 1934-35, these were 65 crores. As regards the foreign countries, the imports at that time were 116 crores, whereas, today, these are 56 crores and, if you go to the percentage on Table II, you will find that the imports have not been reduced in any way. At that time, the import was 48 per cent. whereas, today, it is 50.2, and, then, if you look at the export, on pages 12 and 13, you will find the same thing. The export to the United Kingdom has been increased from 42 crores to 47, whereas the export to foreign countries at that time was 37 crores, and, in 1934-35, it is 82 crores. If you look to the export trade, you will find there is a decrease of five crores. To blame the Ottawa Pact is not, therefore, correct. You will find that a long list has been supplied by the Government. Different countries have restricted the import of certain commodities in their own countries, on account of exchange or monetary difficulties. Now, if you look to linseed, you will find . . . .

**Mr. Lalchand Navalrai** (Sind: Non-Muhammadan Rural): Why don't you talk of wheat?

**Seth Haji Abdoola Haroon:** You, Sind people, cannot produce it as cheaply as Australia. You are very lazy. You are not producing cheap wheat. Take the export of linseed. My friend just now complained that linseed has not been benefited. I am not going to accept his argument. Even with the 15 per cent. preference, if you cannot export linseed to England, then how can you export it without preference?

**An Honourable Member:** What about rebate?

**Seth Haji Abdoola Haroon:** I don't think this sort of argument can stand in these days. I know many Members feel this, but they do not want to say so honestly and clearly. This morning, the Leader of the Opposition brought a Resolution to terminate this Agreement, and he said that all the commercial bodies are against the Ottawa Pact. Sir, I remember that when I left India in 1932, the time was rather critical as the country was very much perturbed on account of Mahatma Gandhi's arrest. At that time, we asked the commercial bodies to come forward and place their views before us, but, as we all know, they non-co-operated, and they did not come forward to tender the necessary evidence. Every one of these commercial bodies at that time non-co-operated openly with the Government and with the Assembly, and they did not even send their representative to represent them even on the Assembly. So, Sir, this attitude of the commercial bodies is well-known to every one, and if today they are opposing the Ottawa Pact, well, they must oppose it to the last.

**Mr. T. S. Avinashilingam Chettiar** (Salem and Coimbatore *cum* North Arcot: Non-Muhammadan Rural): You mean all the commercial bodies?

**Seth Haji Abdoola Haroon:** Each and every commercial body non-co-operated at that time.

**Mr. T. S. Avinashilingam Chettiar:** So you were the only man who co-operated?

**Pandit Krishna Kant Malaviya** (Benares and Gorakhpur Divisions: Non-Muhammadan Rural): Why did you give preferences to British manufactures?

**Seth Haji Abdoola Haroon:** I am very glad to give my reply to that. I tell you, you are not considering the business way of this Agreement; you are considering it along political lines (Hear, hear); you are not considering this Agreement along business lines. If you were a business man . . .

**Mr. President** (The Honourable Sir Abdur Rahim): The Honourable Member had better address the Chair.

**Seth Haji Abdoola Haroon:** If you, want to consider these things from the business point of view, I assure you, that all your representatives, when they sit together along with business men, will understand the true state of affairs, and then they cannot oppose it. You are today opposing a Committee so as not to sit face to face with the business men and the officials. Sir, in my opinion, if we reject this Agreement, of course they might have one more victory over the Government, but that would be a very costly victory so far as the country is concerned. (Hear, hear.) Sir, you will be disturbing the whole trade of the country, if you reject it. Don't you think that it is advisable to appoint a Committee so that you may have a candid report and so that you may decide upon the matter next September in Simla? What would you lose thereby? Only a period of six months,—and for that period of six months, you cannot be losing all the wealth of India. (Voices of "Oh, oh"! ) What is the use of your saying "Oh, oh"; you are free to say what you like, I do not mind that, but, remember, you are playing with the trade of India, and especially in these days when the business men and business generally are very much affected by even small things. If you decide this way, then you will be doing a distinct disservice to your country.

Sir, you know very well that at present India is exporting to the United Kingdom preferential articles to the value of about Rs. 41 crores, and many of these articles enjoy a preference of ten to fifteen per cent. Now, if this preference is taken away by the United Kingdom, what will be the automatic effect of their tariff in respect of the Indian goods? What will be the effect on the Indian trade? And if you still persist in refusing to consider this Agreement, I think you will be doing a great injustice to the other Members who want to consider this whole matter in committee. Unfortunately, the Government, when placing these figures, did not give expression to any opinion of their own; otherwise, the situation might have been quite different. Of course, many Honourable Members have said that, on account of this Agreement, the Indian export trade has lost to other countries, but I could not at all understand, in what way. I have shown you just now that only five crores rupees worth of goods is exported, but that is not on account of the Ottawa Agreement. Nobody could produce any documentary evidence to show that any Government, on account solely of the Ottawa Pact, restricted our export to their countries. Of course, they have imposed restrictions on account of their own difficulties in their own country in the matter of exchange, and so on, but no Government has imposed restrictions on our export trade solely on account of the Ottawa Pact. Sir, . . .

**Mr. President** (The Honourable Sir Abdur Rahim): The Honourable Member has only two minutes more.

**Seth Haji Abdoola Haroon**: Sir, I would again request the House to consider these points and not to play "politically" with Indian trade which concerns the very well-being of the masses of this country. If they do, then it is India alone that will suffer and suffer very heavily. On the other hand, if you appoint a Committee, you may formulate and place your views before the Government and the House and say—Well, on account of this and that, in this direction and that, the preferences are small, or that in some ways your export trade is suffering. If you simply pass a vote of denunciation, that would not be fair to yourself or to the House. With these few remarks, Sir, I support the motion for appointing a Committee. (Applause.)

---

### STATEMENT OF BUSINESS.

**The Honourable Sir Nripendra Sircar** (Leader of the House): Sir, may I have your permission to make a statement. Parties were given to understand that if they wanted, they could have half day on Saturday for discussion of the report of this House on the Hammond Committee's Report. I understand from the Leaders of Parties that they are quite agreeable to meet on Saturday, and, if this meets with their wishes, I should like to ask for your direction that there may be a meeting of this House on Saturday.

**Mr. President** (The Honourable Sir Abdur Rahim): That was the original arrangement, as has been mentioned by the Leader of the House, and there will be a meeting of the Assembly, therefore, on Saturday at the usual hour; and it will be understood that the debate on this report will be concluded by 1-15.

**Mr. M. S. Aney** (Berar Representative): There will be no questions?

**Mr. President** (The Honourable Sir Abdur Rahim): There will be no other business.

**Pandit Govind Ballabh Pant** (Rohilkund and Kumaon Divisions: Non-Muhammadan Rural): I understand that the debate may not be concluded before 2-30, and perhaps you will allow it to continue till then.

**Mr. President** (The Honourable Sir Abdur Rahim): If the debate exceeds the ordinary time by a few minutes, I shall not object. There will be no questions tomorrow and I shall also dispense with questions the day after and on Monday.

The Assembly then adjourned till Eleven of the Clock on Friday, the 27th March, 1936.